THE BUSINESS WEEK

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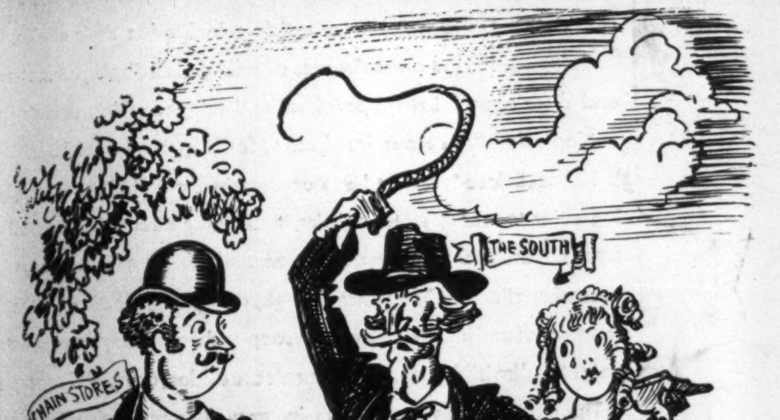
A Journal of Business News and Interpretation


CHAIN STORES
THE SOUTH
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The City Slicker

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MARCH 12 1930

DOES YOUR PRODUCT LOOK ITS BEST?

It is no longer enough to produce merchandise that is well made, wears well, is useful. Purchasers are considering the looks of every article submitted to their choice.

Color adds to the attractiveness of most goods displayed in stores and show rooms. Even typewriters and telephone instruments are putting aside the conventional black for brighter, gayer hues.

Nitrocellulose lacquers have opened new possibilities for applying color to wood, metal, fabrics, and other materials. They offer more advantages than the obvious ones of beauty, quick drying, and ease of application. They form a tough, durable, protective film that is waterproof and is easy to clean with soap and water. They may be transparent and invisible, or, when pigments are added, completely opaque.

The nitrocellulose film is adhesive as well as protective. Solutions of nitrocellulose form light adhesives between articles that must be easily detachable, or a cement as strong as the materials it binds. Solutions of this versatile product are used both as a stiffener for fabrics, and as a waterproofing that leaves the fabric soft and pliable.

New uses for nitrocellulose lacquers and special solutions are discovered almost daily. Nearly every industry can employ them with profit. Perhaps this suggests a new use to you. Lacquers are sold by the paint, varnish, and lacquer manufacturers.

We have prepared a booklet called, "The Story of Modern Lacquer," which will tell you many interesting things about lacquers that it may be profitable for you to know. A request for the booklet on your business stationery will bring it to you.

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HERCULES POWDER COMPANY
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NAVAL STORES

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THE
BUSINESS WEEK

A JOURNAL OF BUSINESS NEWS AND INTERPRETATION

NEWS OF THE WEEK ENDING MARCH 8, 1930

WHAT'S IN THIS ISSUE— AND WHY

For the first time since the war, the government is going into future trading. After 10 days of violent upheaval in the wheat market, something had to be done. The Farm Board has agreed on a new course of treatment. The patient is still weak.

Facing organized opposition on the Southern front, the chain stores are executing a flank movement into the Southwest. But the independent rural stores there are making a remarkable comeback. A new merchandising survey brings out other significant trends.

American fruit-growers, celebrating the conversion of the whole world to the gospel of minerals and vitamins, are learning that it isn't all their party. A real battle for the world fruit trade has started.

The automobile assembly lines have been slowing down, instead of speeding up, but that's not all bad news. Holding production schedules down to await spring orders will prevent a jam on the dealer's floor. Nothing can prevent the battle royal ahead.

They used to be "railroads." Now they are "transportation companies." Pennsylvania is running trains, planes and buses over the same routes. Others are planning similar rail-road-air service.

Meanwhile, the I. C. C. Plan turns out to be something to do about, as well as think about. The railroads are taking it more seriously than the press did. Willard has wheeled B. & O. into line behind it. Loree may fight it; so may others. But nobody now expects to ignore it.

Potent factor in every period of declining prices has been an accompanying contraction in bank credit. Credit expansion in 1929 was at about one-tenth the average rate of the preceding 5 years. Our analysis of the present price slump shows the unmistakable connection.

We'll debate hostile criticism of almost anything except our homes. Yet "next to agriculture, dwelling house construction is the most backward of all the major arts." The supporting facts and the first signs of a revolution in the business of building homes are all in this issue.

Attacks on the electric utilities make the front pages almost every day. But there is more to the story than the headlines can tell. Blunders on both sides have imperilled an $11-billion industry and, with it, our whole business structure.

Reassurance that "only luxuries would suffer" in the Wall Street crash was no reassurance to Japan. With the silk market depressed because American women are cutting down on silk dresses, Nippon adds another pool to the world's growing list.

Year in, year out, 1 in 100 firms fail. There's no news in the fact that 1929 held true to form. But it made some strange shifts in other parts of the record, put incompetence, fraud and speculation remarkably low in the list of reasons why. Business may be getting safer, at that.

The Business Outlook

BUSINESS is more definitely marking time. The latest week's records show that in the last half of February it lost a good deal of the momentum acquired in the January upturn and is now barely holding its gains. Though winter has come and almost gone, spring seems still to be too far behind for the crocuses of commerce to take a chance on March frosts.

Steel continues to slip, with renewed weakness in prices. General building shows a spurt for the week, but February as a whole cancelled the January gain over December, and heavy construction is lagging. Coal and even oil production are down for the latest week.

The best that can be said for the trade indicators is that they are not increasing their deficits below a year ago. The early crop of February chain store sales reports is not encouraging. Continued weakness in commodity prices indicates plainly enough that markets are dull and doubtful. The stock market, too, reflects disappointment about the rate of business recovery and fears a March blizzard.

All these things show clearly the effect of delay in credit expansion calling for prompt and proportionally vigorous Reserve action.

The Farm Board Writes a New Prescription

AFTER ten days of violent upheaval in the wheat market, the patient is resting more easily, but is still weak and the outlook for a quick convalescence is uncertain. The speculative nurses who went out on strike are gradually returning to support the market, and the Farm Board doctors who have been nervously changing the patient's medicine every day have finally agreed upon a new treatment for a while. But there is no doubt that the confidence of the patient, nurses, relatives and the general public in the doctor and his legislative pharmacopoea has been seriously shaken.

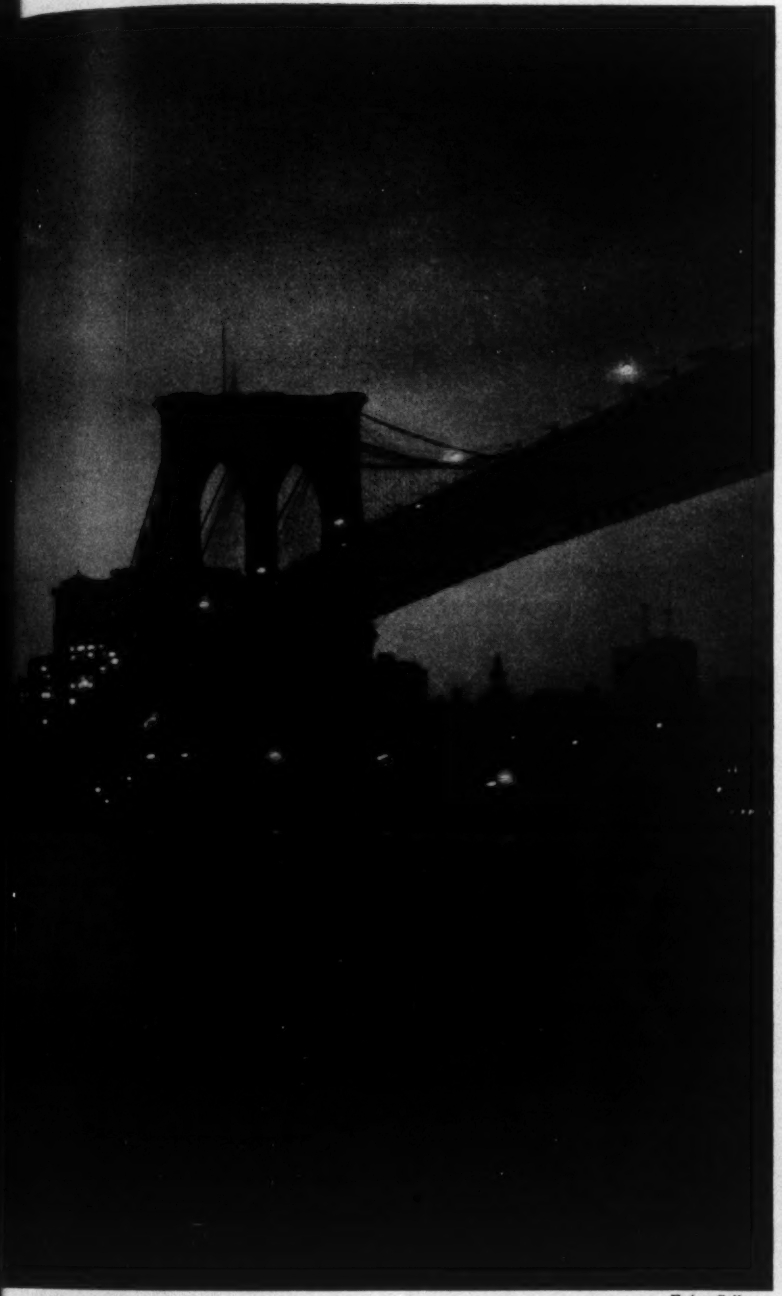
The situation came to a crisis following the market's acute sinking spell on February 25, when the Farm Board announced its drastic policy of supporting the price only of wheat held by the co-ops and their farmer-members associated with its grain marketing corporation and grain stabilization company, thus setting up a kind of exclusive club for the benefit of loyal cooperators and leaving all other farmers and grain-trading interests out in the cold. The farmers and little co-ops could and did try to rush into the fold, but the grain traders, elevator people and millers took this final blow as the crack of doom. Since the Farm Board organizations could not easily distinguish between orthodox cooperative wheat and ordinary country-run wheat, it is said some of the more desperate grain interests took to buying wheat in terminal markets at low market prices and shipping it out into the country to be sold at higher Farm Board prices. Others contented themselves with raining protests upon Washington. Their feelings were not much soothed by Mr. Legge's reference to them as "roll-top desk farmers," and they became so mad that the White House, Congress and all Washington had to sit up and take notice.

As a result, a hurried council of Farm Board doctors at Chicago last Saturday decided to back-water and moderate the treatment. Cash wheat is to be bought from the Farm Board club members only at prevailing market prices, although, apparently, members who wish to hold their wheat will be able to get Farm Board loans on it still at the fixed loan price, now about 10 cents above the market. The stabilization company will, if necessary, buy wheat futures in the open market to help support prices. These decisions are partly the result of protests against and breakdown of the exclusive club policy, and partly due to the fact that storage space is becoming so scarce that the Board is worried about where to put the June crop.

As things stand, the Board will be able to continue its fundamental policy of protecting its co-ops and their members who still have wheat and to help the general wheat market by going in for future trading, just like the "roll-top desk farmers" whom it condemns. This is the first time the government has engaged in future trading since the war. It may be able to make enough out of this "reprehensible" speculation to recoup its losses in supporting the co-ops.

The outlook for wheat prices, however, is still uncertain. The European buyers' strike is still unbroken, and the speculative interests, who, in fact, have manfully held American market prices consistently above Liverpool prices, have had such a rude jolt that their further support of the market is bound to be half-hearted. So long as the Farm Board is in the picture it will have to hold a larger and larger bag.

This time last year, with general business booming, wheat prices started to skid till they went under a dollar in July, because of the large carry-over from the season before. Now at the beginning of March, in a business depression, wheat is already hovering near the dollar level, with a carry-over here nearly as large as last year, and with prospects of a bumper new crop based on larger planting and favorable weather.



Ewing Galloway

Would Make Commission A "Federal Trade Court"

WILLIAM J. DONOVAN'S proposal for changing the Federal Trade Commission from an enforcement agency, in which the commission is, in effect, both prosecutor and court, into a judicial agency, is an attempt to give expression to the fact that the anti-trust laws and the law to prevent unfair methods of competition are essentially economic regulations, whose administration in terms of legal definition by the courts fails to reach through and apply the economic sense which underlies them. By successive decrees, the courts have appropriated every grant of power which was originally considered to have been committed to the commission.

First, the Supreme Court held that the question of unfair competition was a legal question to be determined by the courts and not by the commission. Next, it ruled that the courts were not bound by the commission's findings of fact but could make additional findings and reverse the commission's order on their own fact-finding operation. Finally, it decided that the courts could determine the whole question of the commission's jurisdiction by reaching their own conclusion on whether any complaint is in the public interest.

Mr. Donovan now proposes that the attorney general should have the power to bring civil actions for violations of the Sherman and Clayton acts and that these proceedings should be presented, in the first instance, before the Federal Trade Commission, instead of a district court. Under the former assistant attorney general's plan, unfair competition cases would be prosecuted before the commission by the private litigants and not, as at present, by the commission acting on their behalf. From the commission's decisions, appeal could be taken either to a circuit court of appeals or to a special court that, perhaps, can be best described as a commerce court.

The significant feature of Mr. Donovan's proposal is that the court to which appeal is taken would settle all questions as to the law and the facts, though constitutional questions would go on up to the Supreme Court for review, as at present. But, unless a special tribunal were created, as alternatively suggested, a decision of the commission apparently would still be subject to review as at present.

It is doubtful whether the courts would willingly surrender to the commission their power to review the commission's actions. Ever since its establishment, the courts and the legal fraternity have regarded the commission with suspicion. It is also interesting to recall that the Federal Trade Commission Act was written when James C. McReynolds was attorney general. Enactment of the statute appointing mere commissioners to act as a quasi-judicial body in the administration of law was opposed by Mr. McReynolds, and his subsequent service on the supreme bench may have contributed to the harsh treatment that the commission has received at the hands of the court.

On the other side must be considered the traditional criticism that the courts are inclined to be too legalistic. To the strength of this criticism may be ascribed the establishment and broad development of our equity courts. In the final analysis, the Federal Trade Commission draws its support from this source, as does the agitation to increase its powers.

From the same school of criticism comes some of the strength behind the arbitration movement in business. The connection is easily traced in the remarks of Alexander D. Whiteside, president of the Wool Institute, on the recent occasion of the wool trade's adherence to the American Arbitration Association. Welcoming the association as a forerunner to the establishment of an impartial tribunal for the settlement of all commercial disputes, "a special supreme court for industry which will, some day, be set up by the United States Government," Mr. Whiteside said, "This court must be one of last resort which will interpret the economic law governing state, interstate and national transactions."

◆

The Consolidation Plan Was Meant to Work

WHEN the Interstate Commerce Commission announced its tentative plan for rail merging, in December, it was generally regarded as a joke. It *was*, but the joke was evidently on the commentators who thought the commission created the plan merely because the President and the Congress were insistent that some progress be made in rail unifications. It was even stated that the members of the commission themselves did not view the matter very seriously.

But following closely upon it, letters were dispatched to various eastern railways—Chesapeake & Ohio, Baltimore & Ohio, Wabash, and Delaware & Hudson—notifying them that their merger applications were not worth official inquiries, because of the incompleteness of detail as to methods by which they planned to acquire other carriers. Then came the permission granted the Baltimore & Ohio to acquire the control of the Buffalo, Rochester & Pittsburgh by purchasing its capital stock—a unification entirely in line with the commission's merger plan, and ten days later, the Great Northern-Northern Pacific merger petition, without the Burlington, was approved—again, wholly in accord with the commission's plan.

The hand-writing is on the wall. Railroads can acquiesce or fight it. Mr. Loree's ambitious plan for combining a group of smaller eastern lines is still on the docket but it is so thoroughly out of line with the Plan that it is doubtful if it will get beyond the stage of hearings which this astute organizer asserts he will demand. The final evidence of the commission's adherence to the published merger plan is seen in the Baltimore & Ohio's request that its petition to acquire control of certain eastern lines be dismissed "because of nonconformity with the commission's plan." Daniel Willard of the Baltimore & Ohio knows exactly what is going on in Washington every day and, from his vantage point in Baltimore, acts in accordance with what he views as the trend of political and economic thought along Pennsylvania Avenue.

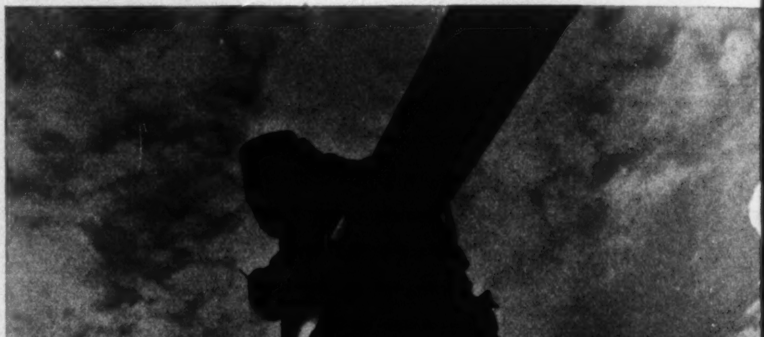
Just what action the other big eastern lines—New York Central, Pennsylvania, the Van Sweringen group and the New England roads—will take is not yet apparent. Of one thing they may be sure; the commission did not create a general merger plan merely to amuse the financial writers and the railway executives. Its plan is open to criticism and modification, as it said when it was publicly announced. But until railroads can prove that they have a better one to proffer, it appears that the commission's lineup will hold the preferred place in Washington. Railroads that are willing to go along with it will find a cordial reception awaiting them.

Probably the outcome will be a series of absorption of smaller lines by the big trunk lines for the present, with the big mergers—if they ever do eventuate—held in abeyance until opinion crystallizes as to the merit of unifications in general and as to the amalgamation of the larger roads in particular.

Insurance Companies In the Mortgage Field

THE difficulties attending real estate financing and mortgaging continue to be a real problem and to have a seriously adverse effect on building. The survey conducted by THE BUSINESS WEEK last week showed that there has been no easing in rates for mortgage funds and but little, if any, greater supply. Return of deposits to savings banks and to building and loan associations is helping the situation to some extent. Withdrawal of deposits during the stock market bull movement created a troublesome problem for these institutions. But all of the withdrawals are not returning; some were lost in the whirlpool last fall.

Charges and counter-charges about insurance company lending policy are still echoing. They were started by a statement of Secretary of Agriculture Hyde that the insurance companies were pinching the farmers. The charge, in view of present information, seems unwarranted.



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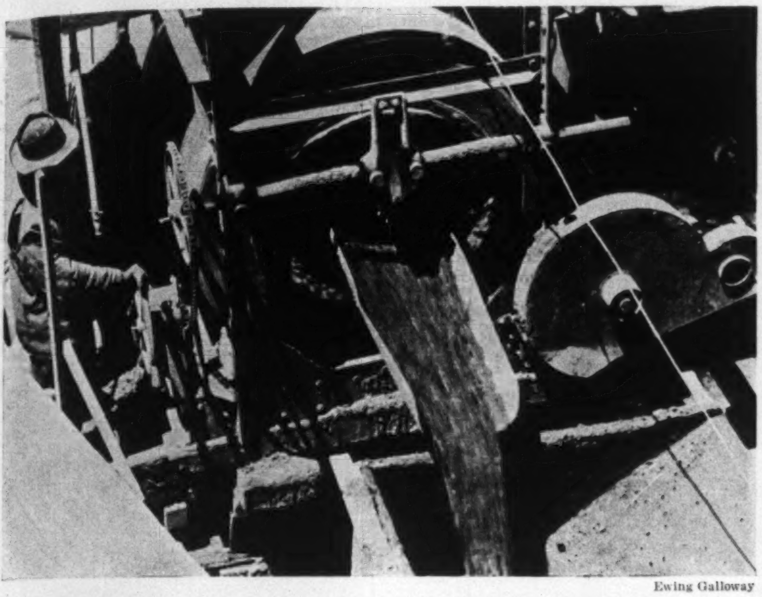

Ewing Galloway

Recent information on insurance company preferences for lending is of interest. It appears that the single-family dwelling house is preferred above all other real estate risks. Of 108 companies covered, 102 listed it as preferred. Commercial buildings came next in preference, 83 companies listing them. Duplex dwellings were next with 82. Farm lands appealed to 63 companies. Apartment houses and various kinds of industrial buildings are included.

Most insurance company loans are for not less than 3 nor more than 20 years. The companies are generally willing to lend about 50% of the assessed value of the property mortgaged, although some will go higher. Few want to advance less than $3,000 to $5,000. There have been very few changes in the lending practices of the life insurance companies in recent years. Only 6 have made definite changes in the past year, according to the report. The abnormal demand for loans on policies which took place last fall cut down the ability of most companies to make other loans.

Building and loan associations are faring somewhat better in the return of deposits, but are still vigorously interested in strengthening their position. Congress has before it proposals to set up a Federal Building Loan Board. This would be organized similar to the Federal Reserve system, and would serve the same purpose for the associations as the system does for the banks.

One factor Mr. Hyde did not mention as contributing to the tighter mortgage situation for farm lands. That is the decreasing amounts being put out by the Federal Farm Loan system, set up a decade ago to solve all of the farmer's difficulties. Loans closed by the 12 Federal Land banks in 1929, for instance, were 30% smaller than those in 1928. For the Joint Stock Land banks, the decrease in 1929 from 1928 was 55%. Such declines must inevitably have a serious effect upon farm mortgages.

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Business Approves The Federal Reserve

BUSINESS men, voting through the widely heralded referendum of the Chamber of Commerce, have endorsed overwhelmingly the present Federal Reserve system. The few changes they asked for were mostly of minor importance. The vote approved all of the recommendations of the national group that formulated the referendum. On none of the 19 proposals did opposition amount to more than 13% of the total vote; on many, it was much smaller.

The strong tendency of participants in such a referendum to follow set proposals and vote in the affirmative must be considered in weighing the results. But these results are of importance for three reasons:

First—Business has, for the first time, expressed its views unitedly and business men, for the first time, have given their own thought to the many important questions of credit policy. Discounting all tendencies to "follow the leader," the strength of the endorsement leaves no doubt as to the strength of conviction behind the vote.

Second—The Federal Reserve system has definite information as to how its actions and policies are regarded by those whom it was created to serve. Bricks and bouquets have been boiled down to show a definite trend of articulate opinion.

Third—The results will act as a sharp curb to the radicals in Congress. Many of them have called for drastic changes in the system and have defended their position by saying business needs and demands these changes. The vote is overwhelmingly for conservatism.

Thirteen of the 19 proposals on which the vote was taken sustained the present set-up of the Federal Reserve system or its present policies. All of these were approved. They are for continuance of autonomous regional Reserve banks; rediscount rates primarily as desired by the banks and not the board; discount rates by regional needs without attempt for national uniformity; wide powers of credit expansion and contraction; administrative rather than legislative control of credit; skill in management instead of change in structure; against saddling limiting factors such as price control on the system; restriction of credit for speculation; character and necessity as well as technicalities as criterion for discounting; continuance of open market operations and present backing of currency; revision of member bank reserve requirements as asked by the system and opposition to paying interest on member bank balances.

Four changes were asked. Replacement of the Secretary of Treasury as chairman of the Federal Reserve Board by the governor of the board was most important. A larger share of earnings of the system for member banks, with less for the Federal government, was suggested. This is favored by some in the system now. Housing the Federal Reserve Board in a building of its own was approved. This question received the largest number of negative votes. And a salary increase for the principal officials of the system was endorsed.

Two questions were worded so ambiguously as to mean little. Both were approved—whatever they mean. The first asked that "Thoroughgoing consideration be given to the relations of the Treasury to the Federal Reserve Board." The charge that the Treasury dominates the board gave rise to this point. The last:

"That the management of the Reserve system should provide the public with such an ample amount of information as to operations and policies as will permit the formation of sound public opinion."

The Chamber in New York City rejected two of the proposals in the referendum. These were those to give member banks a larger share of earnings and to raise salaries.

Automotive ►

Manufacturers Hold Back For News of Real Buying

WITH February automobile production estimated to be but slightly more than 300,000 passenger cars and trucks, it is evident that the real upward spurt, normal for early spring months, has not yet started. While February output is above the January production of 283,000 and, considering the short month, indicates increased schedules, it is some 35% below that of February, 1929. There are indications, also, that instead of gaining momentum as the month progressed, the industry slowed down so that the output of the last two weeks was somewhat under that of the first two weeks.

In one way, this is good news. It indicates that leaders of the industry are fulfilling their promise to produce cars only as customers demand them. The first few weeks of the year have been devoted to supplying dealers with new models; now, apparently, schedules have been eased up to await actual buying orders not expected to develop great strength until the middle of March.

With the exception of Ford and Chevrolet, February production was little better than that of January. Ford produced 98,000 cars and trucks in January; his February output is estimated at 120,000. Chevrolet is unlikely to report more than the 85,000 automobiles finished in January but has built up a considerable supply of component parts which will facilitate a larger production in March.

Most makers anticipate increased overhead charges as a consequence of holding production schedules to public demand, and price increases have been general. In the middle-price field, particularly, there have been a number of increases which are unlikely to aid in the exceptionally severe competitive battle which seems assured for 1930. According to Standard Statistics, Ford and General Motors alone are expected to account for 70% to 75% of 1930 production. On the basis of a 4,500,000 vehicle year, this leaves little more than 1,000,000 automobiles to be sold by all other makers. That a battle royal may be anticipated under such conditions seems obvious.

Automotive ►

Eaton Digs Deeper Into Parts Field

J. O. EATON'S dream of forming the largest automotive parts manufacturing organization in the world progresses one step nearer realization with the announcement that, subject to stockholders' approval, Wilcox-Rich Corporation and Peterson Spring Company, both of Detroit, will be consolidated with Eaton Axle & Spring Company of Cleveland. If the present plan goes through, he will head a $19,000,000 organization which includes the largest automotive spring business in the country and an important part of the total business in automotive axles, bumpers, gasoline and radiator caps, piston rings and valve and tappet equipment for motors.

Eaton entered the parts field in 1911 with the $120,000 Torbensen Gear & Axle Company of Newark, N. J.; in 1923, he brought in the Eaton Axle Company, Perfection Spring Company and the bumper business of Cox Brothers Manufacturing Company; in 1925, the American Auto Parts Company, acquired from American Steel Foundries and doing the largest automotive spring business in the country; in 1926, the Beans Spring Company; in 1928, the Easy-On-Cap Company and the Perfection Heater & Manufacturing Company; in 1929, his last acquisition, the gasoline cap business of Monmouth Products Company.

Wilcox-Rich has been more or less in the market for some time, has had a steady growth of earnings and has been sought after by several concerns. In 1929, it earned nearly $1,400,000. Eaton Spring & Axle earnings were $1,500,000.

Automotive ►

We'll Show or "Show Them"

SHOULD history repeat itself, sponsors of the Paris Automobile Salon may eventually be unhappy over the persistent discrimination they have exercised against American exhibits. At a recent meeting of European representatives of American manufacturers it was proposed that American concerns withdraw entirely from participation in the Paris Salon and concentrate their efforts on the automobile shows at London and Brussels.

For years American exhibitors have been placed last on space allotment lists for the Salon and have been allocated positions left when exhibitors of all other nations had chosen. Despite the fact that the United States is the largest foreign exhibitor at the Salon, pictures of the main floors rarely reveal an American exhibit; they are tucked away in corners and other unsatisfactory locations.

French authorities have missed the moral of what happened in Czechoslovakia in 1928. The sponsors of the Prague show also had a tendency to discriminate against American exhibits. In 1928, American dealers withdrew, held a very successful independent show at Brunn which, last year, was joined by all other European makers except French.

Keystone

PLEASURE IS PART OF THE PICTURE

Horace A. Moses, president of Strathmore Paper Company, at the rail of his yacht off Miami Beach where he recently landed a 565-pound jewfish

International

HE TOOK THE JOB

Gates W. McGarrah sailed March 1, headed for the Chairmanship of the Board of the World Bank. In the February 12 issue, The Business Week said, "It's a Job for a McGarrah"

Government ►

"Quarantine" May Cut Bankruptcies

ISOLATION and education as possible remedies for bankruptcies have been suggested by the group from the Yale Law School which has been cooperating with Judge William Clark of the United States District Court of New Jersey in his "Bankruptcy Clinic." The debtor whose troubles are shown to have been caused by failure to observe proper standards of conduct might be "quarantined" by giving full publicity to the causes of his business collapse.

The report suggests that a business quarantine might protect the community against further injury by the individual quarantined, and act as a deterrent to others. It further says that the solution of the bankruptcy problem lies finally in the prevention of bankruptcies, rather than in improvement of the technique of handling them after the crash. Only about a quarter of the retail bankruptcies are caused by such unavoidable troubles as expensive illness, robbery, fire, labor troubles and changes in neighborhood characteristics. Lack of education and experience, faulty inventory systems, poor bookkeeping and lax credit extension are major causes.

Distribution ►

New Trends in Marketing Stir the Gulf Southwest

CHAINS are now developing rapidly in Texas and Oklahoma—territory just beyond what is commonly thought of as the chain store belt.

From St. Louis west, Kroger and A. & P. are expanding. The stage of purely local chain development has now been reached. Variety chains and mail order branches are opening throughout the region. Wholesale dry goods houses are establishing local chains as retail experimental laboratories to try out lines of merchandise and new methods of advertising, display and retail selling. It is not yet apparent whether these will grow into real chains or will remain what they are now.

In the drug trade, special conditions have brought in numbers of middle-of-the-block apothecary stores doing a prescription business. This is the direct result of the unrestrained growth of "drugless" drug stores—both chain and independent—under state laws that do not require that every drug outlet have a registered pharmacist, as in most Eastern states. Such stores carry only packaged, branded medicines and do no prescription business.

One of the significant trends in the Southwest is the marked tendency of rural stores to regain their prominence. Prior to the war, all predictions pointed toward their elimination. Now, new owners—many of them former chain store managers—are taking over such stores, situated where they can attract automobile trade, and are applying advanced chain store technique.

Contrary to popular impression, the number of dry goods outlets is increasing, though not as rapidly as other types of retail outlets nor as rapidly as the growth in population would lead one to expect. There has been a greater than normal turnover in management.

Advertising ►

Florida Continues State Campaign

FLORIDA'S advertising campaign conducted by its Department of Agriculture is finishing its first year. Sufficient success makes probable another appropriation of $75,000 this year.

The ideal in cooperative advertising is payment by everyone who benefits. Such cooperation is difficult to get. Jealousies and suspicions often keep out important groups and defeat the plan. In such cases, there is an impulse to

Wide World

THIS IS NEW YORK

Half a mile from Grand Central is this sheep terminal on the East River and its nearby slaughter houses. The Regional Plan proposes to develop the area for public use turn to government for aid. Western Canada obeyed the impulse and succeeded in persuading its provincial government to compel membership in its dairy cooperative. Florida directs its government to advertise for the benefit of all; pays the bill out of taxes. Those not benefiting directly are assumed to benefit indirectly from the general improvement in prosperity.

The state experiment started with direct mail advertising but later changed to magazines and newspapers. Direct mail brought comparatively few traceable results. The magazine and newspaper spreads have created real business, according to the reports.

Both tourist and agricultural appeal have been used and both have produced traceable results in this first official state advertising campaign.

Personnel ► Look for the Chronic Repeaters

MOST automobile accidents are caused by people who have caused them before, reports the Personnel Research Federation. In one of the companies it investigated, 27% of the drivers had figured in several collisions; 73% drove safely. Planning the safety campaign for the chronic repeaters, instead of for all, proved unusually effective in reducing accidents.

Criminology recognizes that most stealing is done by persons who have stolen before. The much-discussed Baumes laws in New York State are designed to remove the chronic repeater criminal to a place where reformation may be brought about. If successful he can be pardoned; if not, he stays under control for life.

This is the way people are. Business could reduce its bankruptcy toll and credit losses very materially if it would recognize and concentrate its efforts on the "chronic repeaters."

Personnel ► Workers Can Say What They Think

IT requires nerve in management deliberately to ask employees what they think of the bosses and their methods. It requires consummate skill and a high degree of intellectual honesty for management to gain its employees' confidence to such an extent that they will freely and frankly express their honest opinion of company men and methods. But these things are being done at the Hawthorne Plant of Western Electric Company where an unusually interesting experiment in industrial psychology is being conducted.

At a recent meeting in Philadelphia, A. G. Pennock, the assistant works manager, M. L. Putnam, director of the investigation and Professor Elton Mayo, Harvard University, consultant in psychological methods, described the Hawthorne plan which has been feeling its way for two years.

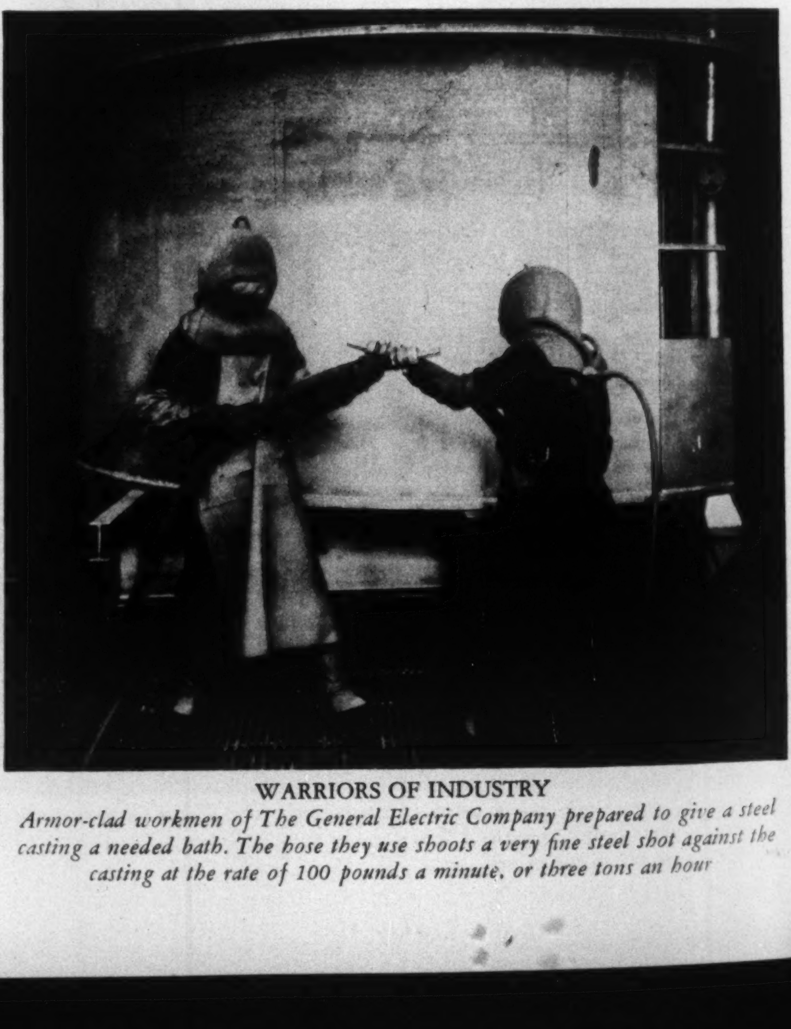
The plan consists of holding interviews with employees in which they are urged to free their hearts and minds of any opinions they may have of their work, their associates, their bosses, their company, or whatnot; criticism is just as welcome as praise. The information so obtained is offered for discussion at periodic meetings of supervisors. The critic is protected by withholding his name.

One product of the plan is an emotional release for the man who is permitted to "get something off his chest" which has a very real effect upon his work. The Hawthorne management has found that these intimate interviews have increased individual production and have eliminated much of the friction which so often retards progress wherever a number of men must work in concert. There is a further value in the increased effectiveness of the supervisory force after two years of education on the pet grievances of employees.

Labor ► Illinois Miners Break With Union

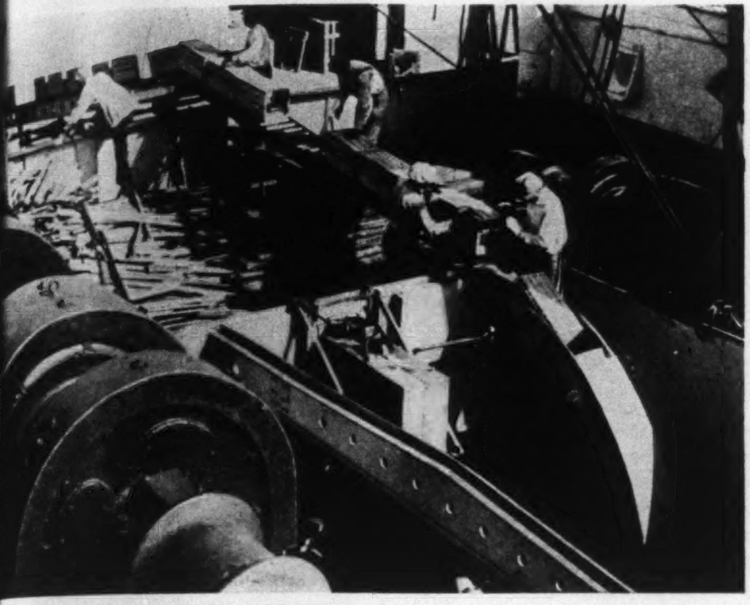
THE long and bitter warfare in the ranks of the soft coal miners which threatens disaster for the United Mine Workers flared up again this week. At a convention in Springfield, Ill., the Illinois district union, which contains more members than all other district unions combined, revolted from the parent group, formed a new organization, and announced the intention of taking along as many other districts as possible. On the same day in Indianapolis, the United Mine Workers, under John L. Lewis, president, held a convention and read the Illinois district out of the union.

The dispute broke out last summer when Mr. Lewis ordered the Illinois district officers to turn over to his agents provisionally the office machinery, buildings and property of the district, charging derelictions in the handling of sub-district funds. This the district officers refused to do and they obtained a temporary order restraining Mr. Lewis from proceeding with attempts to obtain possession of the district's property. The court subsequently upheld the district.



WARRIORS OF INDUSTRY

Armor-clad workmen of The General Electric Company prepared to give a steel casting a needed bath. The hose they use shoots a very fine steel shot against the casting at the rate of 100 pounds a minute, or three tons an hour



FOR BRITISH BREAKFASTS
California oranges roll direct from car to hatch on this dockside conveyor

Agriculture ► World Fruit Market Grows But We Must Fight for It

AMERICAN fruit-growers, who have been gleeful over reports of a rapidly increasing European demand for fresh fruits, now find that this business is not going to drop into their laps like a ripe peach. They will have to climb the tree and do some picking, and there are plenty of other pickers eager to get a share of the crop.

Demand for fruits abroad has mounted swiftly since the war, chiefly because of a new realization of the value of minerals and vitamins in the diet. A typical result is Sweden's recent action in removing duties from fresh oranges and lemons imported between July 1 and December 31. But this increased demand has aroused fruit-growers in other countries, and a real battle for the world fruit trade has started.

South America is particularly active. The Argentine government has sent experts to California and South Africa to study orange-growing methods, and to Europe to study markets. Citrus orchards have been planted, and stores have been opened in Europe to sell Argentine fruits direct to the consumer. Since November, 1928, Chile has been spending a 5-year appropriation of 10,000,000 pesos for expanding its fruit business. Brazil is forming a cooperative marketing organization, and the forecast for its 1929 orange crop was 12,000,000 boxes, much of which would be available for export. Shipments of South American oranges have recently made their appearance in New York.

In Europe every fruit-producing country, including Italy, Russia, Jugoslavia, Hungary, the Netherlands, and Bulgaria, is taking steps to promote export sales. Great Britain is strenuously pushing consumption of Empire-grown products. A significant result: In two years the percentage of British-grown apples among all those imported rose from 30% to 50%. At present, the Empire supplies only one-fifth of the fruit it consumes; this fraction is sure to increase. All of the Dominions are improving producing and marketing methods, and the Empire Marketing Board is cooperating with them.

To meet this competition, American growers must study foreign markets, keep prices down, establish more direct contacts with buyers, keep American brands constantly in the minds of consumers. American fruits now have a high sales appeal. This is particularly true in the citrus field, due largely to the advertising and field work in Britain of the California Fruit Growers Exchange, cooperative organization which markets 75% of California's citrus crop. For the 1929 season, the exchange exported to Europe 981,369 boxes of oranges and grapefruit, 4 times the total for the previous year. These exports were of the greatest value in relieving the domestic market of a heavy surplus caused by unprecedented production during the season.

The possibility of a growing market in the Far East presents a favorable outlook for American growers. Transpacific shipments of citrus fruits rose 67% during 1929. California experts who recently returned from an extensive trip through the Orient reported a keen interest there in American fruits; forecast a growing export trade.

Railroads ► The New Merger—Rail-Road-Air

THROUGH tickets covering joint railroad and motor bus journeys for long distances will be sold for the first time on April 1 when the Pennsylvania inaugurates rail-bus service between New York, Chicago and St. Louis, and between Philadelphia, Chicago and St. Louis. Close financial and operating relations between the railroad and the Greyhound Lines of Indiana (425 buses, 3,000,000 passengers and $7,000,000 business yearly) will make it possible for travelers to ride in buses by day and Pullmans by night. This, it is believed, will attract persons whose chief objection to long-distance travel by bus is night-riding.

Significant is the Pennsylvania's latest move as one more evidence that railroad executives are tackling problems of transport coordination with vigor. Says Elisha Lee, vice-president of the Pennsylvania: "Railroads, intending to provide adequately for progressive development of their service, can no longer confine themselves to rail transportation alone. Recognizing this, some of our railroads within recent years have entered also the business of transporting passengers and freight by motor car and airplane. As a result the term 'railroad' no longer properly describes the transportation service which the more progressive roads are offering to the public. They are no longer merely railroads; they are transportation companies."

The Pennsylvania's other motor bus operations: Owns subsidiary, Pennsylvania General Transit Company, through which certificates of public convenience for bus operation are obtained; has purchased about a dozen bus companies already operating over local routes; owns 75% interest in Peoples Rapid Transit Company operating from Philadelphia to New York and to Atlantic City, and from Philadelphia to Baltimore and Washington (total investment $2,000,000, fleet of 139 buses, 4,500,000 passengers yearly).

Personnel ►

Survey Shows Employees Are Good Loan Risks

SO far as the employees of many large manufacturing, industrial and commercial houses are concerned, it is no longer necessary for the workman, confronted by an unexpected financial emergency, to run to the loan shark for relief. Growing among such business organizations is the practice of lending money directly to the employees, or of otherwise making provisions for loans. Some demand collateral; others do not. Some charge interest ranging from 4% to 12%; others charge no interest whatever. Nearly all require repayment in stipulated sums at regular intervals, usually by salary and wage deductions. Some companies lend reluctantly, believing that the practice encourages extravagance. Others lend gladly, believing that it is a necessity among lower paid employees. Loans are allowed to run from one week to six years.

A survey recently completed by the Merchants' Association of New York showed that during the past two years the employees of 182 companies have borrowed a total of $2,000,000, in sums ranging from $3 to $10,000, a majority being less than $500. An extremely small percentage of losses was reported. Only 19 companies reported cases wherein employees had failed to repay loans. Seventeen of these lent a total of $337,483, with losses aggregating $3,631.61. Two companies with combined loans of $159,453 reported losses of $159.45.

The reasons for which employees borrowed money were varied. Hospital expenses, illness and death led, but they borrowed also to meet wedding expenses, to pay insurance and taxes, to move from one house to another. They also got money to provide badly needed vacations, to stave off garnishment proceedings and mortgage foreclosures, and for the purchase of clothing, radios, automobiles, furniture, homes, education, stocks and bonds.

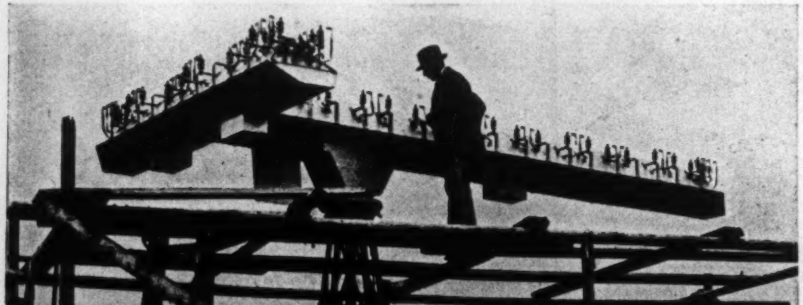
Many of the companies lent money directly. But 27 reported that they had created special loan funds. The officers of one company contributed their private means to establish a fund which was placed in the hands of a trustee and lent for the purpose of purchasing stock in the concern, the stock being held as collateral. Another company appropriated a revolving fund, administered by a committee. Another encouraged a system whereby employees borrowed from the funds of thrift or savings organizations to which they contributed by paying membership dues. One company used, as a loan fund, the dividends from a group insurance policy.

Keyston

J. H. CASE

Formerly deputy governor of the New York Federal Reserve Bank, he succeed Gates M. McGarrah as Reserve agen and chairman of the New York Bank (see page 26)

Of the 182 companies reporting, only 35 charged interest. Eleven of these fixed the rate at 6% on all loans. The others charged interest according to the class of loan, none being applied on loans for the relief of destitution, for sickness and similar emergencies.



Pacific & Atlantic

THE SIGN OF THE SWINGING T

This new automatic landing indicator, recently installed, will be a sign of safety to the pilots of night airliners arriving at Croydon Airport, England. The indicator, which swings with the wind, is illuminated by red fog-piercing Neon lights

Aviation ►

Planes Go on G. M. Instalment List

AIRPLANES on the instalment plan are not new. Extension of plans whereby the General Motors Acceptance Corporation is to finance the sale of Fokker planes on a deferred payment basis lends prestige to the idea.

Said Gavin Breckinridge, head of the aviation department of General Motors: "This service is now available to purchasers of Fokker aircraft but it naturally will be extended only on a conservative basis providing for the full protection of those interested, and comprehensive insurance will be a requirement of the plan."

An approved customer can secure delivery on a plane after making a minimum down-payment of one-third the cost. The entire cost of the first year's required insurance is included in the total purchase price.

Banking ► The Chain Moves Into New York

THE bank chain movement marched into New York City for the first time this week when the up-state Marine Midland group, organized just 5 months ago, acquired the Fidelity Trust Co. of that city on a plan of exchanging stock. True, A. P. Giannini's far-flung organization is now well-established and very active in New York but the Giannini stands for branch and not group—or chain—bank organization.

Marine Midland was organized last September by a group of New York financial houses, including Stone & Webster, Blodgett, White, Weld & Co., and Schoellkopf, Hutton & Pomeroy. Ownership of 17 banks in upstate New York with aggregate resources of $520,000,000 makes it a leader in the group field. Addition of Fidelity's $76,000,000 of assets and five branches in Manhattan will raise the total to $600,000,000.

Although dominated by the New York City interests which launched and financed it, Marine Midland's headquarters are in Buffalo. The Marine Trust Company of that city is parent institution. Rumor had it last September that banks had been acquired in North Carolina, but the institution, incorporated in Delaware, has limited itself to banks within New York state thus far.

Marine Midland was conspicuous in financial circles recently when it took an entire $50 million offering of U. S. Treasury bills. Treasury offerings heretofore had been taken largely in New York City. George F. Rand, allied with the Remington-Rand interests, is president of the group.

The group movement does not yet present dangerous rivals to the gigantic New York City banks. But the rapid development of the systems makes that seem a possibility. The large groups, with several having resources of nearly half a billion dollars, already are making inroads on the financial business formerly monopolized by New York. The recent Treasury offering is a specific example. Now they are coming right into New York.

Promotion ► New Orleans Gives World an Eyeful

MANY American cities have emphasized individual characteristics to stimulate business, attract the tourist trade, and, in general, bring themselves to public attention. New Orleans has developed the idea in a really new and striking form, taking advantage of the new and extraordinary paving and lighting systems on Canal Street.

Already the widest street in the world —171 feet with 21-foot sidewalks— Canal is now the first in the world to have terrazzo-like polished sidewalks. They are colored, made of chipped rock, laid in a series of diamonds, shaped with brass striping, and then sanded down and polished. The neutral ground—the area devoted to the four lines of street car tracks on a tie-less, sound-proof, shock-proof base, is similarly paved. Canal is also advertised as the best-lighted street in the world—it has 324 lamps of 1,000 watts each mounted in clusters of three on 108 thirty-foot cast iron standards, each bearing on its base four bronze plaques reproducing the seals of the four governments which have dominated New Orleans since it was founded in 1718.

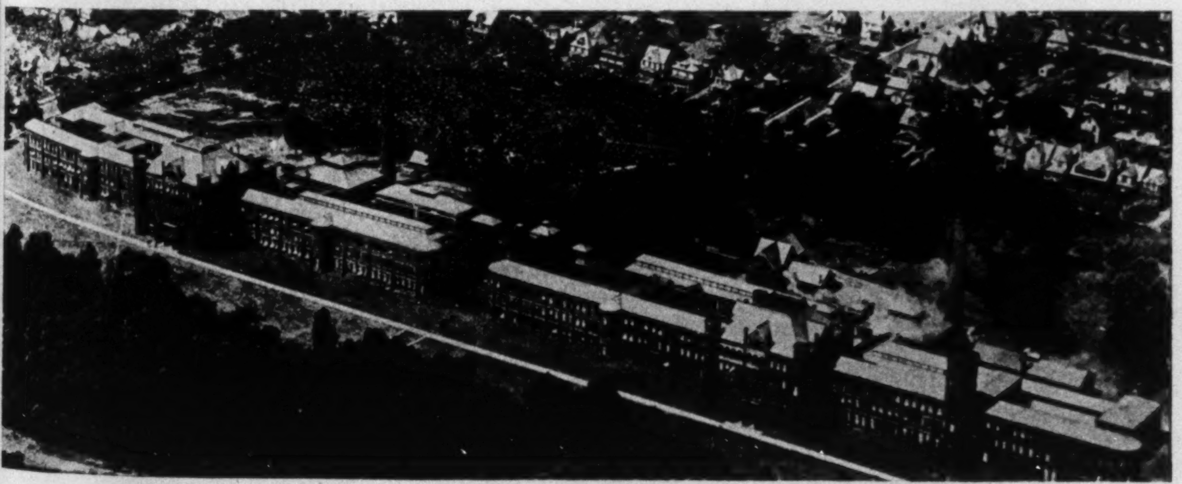
Real Estate ► Growing Dallas Moves River Away

PRIMARILY to provide opportunity for the expansion of the industrial district of Dallas, now limited by the Trinity River and adjoining bottom lands, the city and county of Dallas, through the Flood Control District, are now engaged in a gigantic reclamation by which 10,000 acres of land will be available for use. The Dallas Real Estate Board estimates the present value of this land at $3,200,000. After reclamation and subdivision it will be worth about $47,000,000. Part will become a portion of the Oak Cliff residential section, the remainder of the industrial district.

The program involves moving the three forks of the Trinity about 2½ miles, shortening the river 10 miles by straightening the channels, and the construction of 25 miles of enbankments 30 feet high and 154 feet thick at the base. The latter will be capable of controlling flood waters 2½ times greater in volume than the record flood of 1908.

The Flood District's part of the work will cost $6,500,000, which will be taxed against the land reclaimed. The city of Dallas will spend $3,200,000 for underpasses and storm drainage, and the county almost as much for road work, viaducts and approaches. The railroads and inter-urban lines will raise their roadbeds and move their tracks, and other utilities will make various changes. The total cost will be approximately $20,000,000.

The reclaimed area will contain a lake 30 feet deep and about 150 acres in extent. There is also a possibility of a park of some 4,200 acres being developed within the embankments.



Wide World

THE RUSSIANS OWN THIS NOW

The Dueber-Hampden Watch Company's plant at Canton, Ohio. It was recently purchased by the Soviet government, which will remove the equipment to Moscow and set up a new factory, supervised by twenty expert Dueber-Hampden watchmakers

Britain ► The Coal Bill Pleases Nobody

By Special Cable to The Business Week

PREMIER MACDONALD'S Labor Government weathered another storm when it was saved from defeat last week by a majority of 9 votes in the preliminary consideration of the ill-famed Coal Bill. No one is satisfied with the bill, but a split among the Liberals saved the day; started the rumor in London's political salons that the Opposition has decided that the budget, to be considered in April, and not the mooted Coal Bill, will be the safer issue on which to force an election; substantiated conviction that public opinion is still widely divided on mining relief measures.

Introduced to satisfy pledges to miners, the bill pleases nobody. Labor extremists will be satisfied with nothing short of nationalization of the industry. Owners are divided: operators of export pits are ready to support any measure which lowers export costs; others against the bill would compel certain amalgamations. But this would raise an objection from profitable mines which are unwilling to be tied to poor mines.

Politically, the Liberal and Tory parties object to the quota system as tending to limit output. If the Liberal party split is healed, however, the bill will be challenged at the next stage and perhaps defeated.

Business is unmoved by the recent vote, evidently willing to accept the Coal Bill as an unavoidable makeshift, which may be dropped eventually, without becoming the focal issue in a Labor fall. Labor shows no sign of striking on the issue, which strengthens public belief that the April budget may logically be the issue to force a new election. In that case, if MacDonald were returned with a majority over all parties, a coal nationalization bill would then become a certainty.

Railroads ► Enters Claim for Excess Earnings

RAILROAD circles were keenly interested this week in announcement that the Interstate Commerce Commission will begin a vigorous campaign for recapture of $150 millions in excess rail earnings. During the next 16 months the commission proposes to serve recapture reports on 161 roads out of a total of 400 subject to that provision of the 1920 Transportation Act requiring that one-half the earnings in excess of 6% on investment should go to the government.

Underwood & Underwood

FREDERICK T. LEY

He built the Chrysler Building, tallest in the world, and is now vacationing at Nassau, in the West Indies

Announcement followed the commission's hearings to determine the attitude of rail officials on the method of interpreting the decision of the U. S. Supreme Court in the St. Louis and O'Fallon case. For the purpose of recapturing this excess income, uncollected for nearly a decade, the commission requested Congress for a $917,000 increase in the budget estimate for its valuation work. This increase is made necessary by the commission's decision, in the light of the Supreme Court's findings in the O'Fallon case and the attitude of the railroads, to follow ordinary trial procedure in determining recapturable amounts rather than the conference method used to some extent in fixing primary valuation of properties. Several hearings have been assigned.

Production ► Gets a Weigh on Second Century

THADDEUS FAIRBANKS invented the platform scale in 1830—this is its 100th anniversary—because he and his brother, who ran a wheelwright and foundry business at St. Johnsbury, Vermont, had been awarded contracts for hemp-dressing machines and had found that there was no efficient method of weighing the hemp. The old steelyard, inherited from Roman times, was of little use. So Thaddeus constructed a huge steelyard beam suspended from a high frame, with chains to grapple the axles of the cart. Later he supported the platform upon an A-shaped lever, with the tip of the lever connected to the steelyard by a rod.

This was the father of the modern platform scale. The same principle is used in all, whether health scale, laundry scale, or ponderous scale used for weighing locomotives. An American patent for the railroad track scale was granted to Thaddeus Fairbanks in 1857, and such scales have been continuously manufactured at the St. Johnsbury plant since that time. They are so accurately adjusted that a scale loaded with 150 tons will indicate an addition of 10 pounds to the platform.

The most recent development in scale-making is the self-indicating or dial machine, now manufactured in capacities of from 50 to 40,000 pounds. Leonardo da Vinci is credited with having invented this scale in the fifteenth century. The largest scale in the world, a million pounds capacity, was recently completed and installed in the plant of the Hamilton Furnace Company at Hamilton, Ohio.

Utilities ► To Help Builders On Wiring Job

MAINTAINING that a majority of new buildings are inadequately wired for electricity and that usual wiring specifications do not allow for even a 5-year growth in lighting practice, the electrical industry is at work on a program of closer cooperation between architects and power companies.

Initial step will be the distribution of suggested wiring specifications for the guidance of architects, drawn up by the National Electric Light Association with the aid of the American Institute of Architects. In addition, several power companies are developing "lighting service departments" staffed with illuminating engineers to advise local architects. Additional cost of installing N.E.L.A. specifications is placed at about 1% of average building's cost. Sponsors claim that this move should eliminate money waste in altering wiring circuits after a building is completed. Many of New York's skyscrapers, they claim, have been found inadequately wired even before occupancy and tenants have demanded thousands of dollars' worth of alterations before moving in.

Shipping ► Comfort Decides Cost Problem

ANNOUNCEMENT that 2 British shipping companies have ordered 20,000-ton passenger liners to be electrically-driven brings to a head the struggle which has been going on among the three types of drive now available. The initial stage of the battle—Diesel against turbine—has been an economic one entirely. Initial cost of the Diesel equipment is high but fuel costs are low. Turbine equipment costs less but its fuel costs are high.

The electrically-driven ship has entered the picture on an entirely different basis—that of passenger comfort. The turbo-electric system provides a degree of passenger comfort which owners can no longer ignore. Absolute quietness and freedom from vibration are outstanding reasons for the adoption of electric drive, although it is the most costly to install and permits no saving in fuel costs.

Of the 8 large passenger ships—18-000 tons or more—launched last year throughout the world, five were Diesel motor ships, two were geared turbine and one was turbo-electric.

Aviation ► Air Lines Draw Up a Contract

SIZE lends prestige to most businesses in the eyes of the public. Little formalities which suggest security include standard practices—fixed prices, uniform price tags, standard billing, fixed schedules, established bylaws.

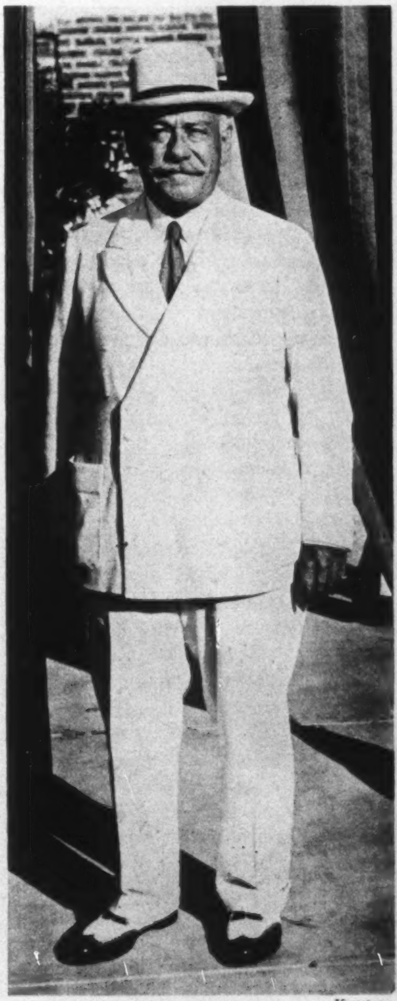
Now a standard contract and ticket, proposed by the American Air Transport Association, is likely to be adopted soon. It stipulates that the passenger accepts all ordinary risks, the responsibility for the flight is left with the company officials and with the pilot (considering weather, equipment, general flying conditions), that tickets are non-transferable, and that the company is responsible to the total of $100 on baggage, unless a higher declaration is made at time of take-off.

Standard one-way tickets will be green; round trip, gray; interline tickets, red.

Textile ► Japan Faces Silk Crisis As American Buying Drops

JAPAN'S restless silkworm has turned again, plunged the country into gloom, upset economic machinery in the land of the Rising Sun. Except as it affects Japan's buying power, the rest of the world isn't greatly perturbed. Nippon's silk tycoons are busy at readjustment; reelers are curtailing output; 250,000 employees are working only part time.

The latest development in the program came this week in the announcement that the Government is considering indemnifying the raw silk price. Following the announcement of February 21 from the Imperial Raw Silk Company making it compulsory that all deals come under its custody, the gravity of the situation at home is apparent. Laymen will recall that the export of raw silk to the United States is the most important single factor in Japan's foreign trade.



UNDER SUNNY SKIES Keystone

Jules Bache, New York banker, has forsaken the storm and strife of northern finance and climate for Palm Beach

Briefly, the situation is this: the silk market is glutted; the price is down to the point where dealers in Yokohama and Kobe would be forced to sell at a loss were it not for support now organized from the silk syndicate.

The situation is due to two causes: the rising value of the yen and consequent less favorable purchasing power of foreign exchange; the slump in the American luxury market beginning last May and precipitated in November following the break on the Stock Exchange.

Silk started 1929 on a rising market. In March, the price rose to 1420 yen a bale due to a shortage of stocks at home and increasing demand from the United States.

In May, prices began to break slightly, slipped down to 1124 yen in July when the new Cabinet announced its decision to withdraw the gold embargo. September brought a recovery to 1400 yen. Buying was heavy, profits eagerly taken by harried reelers in need of quick cash. Then came the break with the price dropping to 1100 yen, equal to the abysmal low of the 1927 silk panic.

Wise and alert are controllers of Japan's silk industry. Filatures were ordered to shut down from December 15 to January 1. During the month of January there were no restrictions because nearly all plants cease operation anyway during coldest weather. From February 1 to May 31, 20% of the reeling basins are ordered sealed to insure effective curtailment of output.

Two organizations in Japan are powerful factors in bringing order out of chaos. Teisan Sanshi Kaisha (Imperial Silk Company), and Teisan Kumiai, an association of reelers and exporters.

Imperial Silk was formed in the first great crisis of 1920 as a stock company to advance money against silk placed in warehouses during periods of depressed prices. It saved the situation in 1920 by withdrawing 40,000 bales of silk from the market in September and releasing them gradually during 1921.

In 1926 it brought order out of chaos before it had withdrawn full 13,000 bales. Four months saw an end to the difficulty.

The last relief was given the industry in 1927. Only 9,000 bales were withheld from the market and again for only four months. In each case price was held around 1250 yen a bale.

Teisan Kumiai started accumulating funds as far back as 1924 by making reelers pay 1 yen a box into Yokohama and Kobe central organizations, and commission houses to add 10 sen a box. This fund rose to 2½ million yen by the end of 1929. The 1927 crisis led to the establishment of a second fund collected on a basis of 2.5 yen per export bale. Since it was started in January 1929 it has grown to 1¼ million yen.

Because of the gravity of the present situation relief is being granted by Yokohama and Kobe banks. Until recently the industry had hoped to steady the market by withdrawing 30,000 boxes of silk at a fixed price of 1250 yen. On January 31, however, because the situation was still out of control, the syndicate ordered the reserve stock to 50,000 boxes and owners were lent 1250 yen per bale instead of receiving cash payment on outright purchase.

The situation is not yet under control. Withdrawal of the first 25,000 boxes scarcely affected the market, still overstocked. Even under the curtailment scheme fresh arrivals in Yokohama and Kobe commission houses are large. March or early April will bring the peak of the reeling season. In the meantime, it is uncertain if withdrawal from the market of 50,000 boxes can control the situation.

A factor of no little significance in the world outlook, particularly for the future, is the increasing production of silk in Europe, especially in Italy. From July 1928 to February 1929, Europe bought only 9,174 bales of Japanese silk compared with 22,487 bales during the same period a year earlier.

Another factor in the European situation came to light in Tokyo's silk headquarters recently when M. Spiegel, president of the Soviet Silk Corporation of Turkestan, appeared, requested permission to study Japanese sericulture; announced that Russia aims to regain position in silk industry of Europe, second only to Italy, which was held in Imperial days; announced last year's production was 35,000,000 kilograms, that 6,000,000 were sold to Italy; that Turkestan, Georgia, and the Ukraine are main producing areas.

Textiles ► Lead Way to Shorter Shifts

UNDER the leadership of the Cotton Textile Institute, 24 leading cotton manufacturers of New England and the South have agreed upon a shorter working schedule in their mills. The proposed plan will reduce the day-work schedule to not more than 55 hours per week; the night-work to not more than 50 hours. Where night operations are general, this new schedule will reduce the present schedule by not less than 5 hours, in most cases; as much as 10 hours in some.

This step has been taken to promote more regularity of employment and greater contentment among cotton mill employees. But the industry has still a long way to go before its hours of work are brought in line with those of many other forward-looking industries. Some time ago (THE BUSINESS WEEK, December 25, 1929) H. P. Kendall, owner of cotton mills both in New England and the South, recommended a 50-hour week, dropping of women and minors from night shifts and the gradual elimination of night work.

International Newsreel

BUSINESS AMBASSADOR

John North Willys, automobile manufacturer, is President Hoover's latest recruit from big business. He will succeed Alexander P. Moore as Ambassador to Poland

Keystone

SOLUTION OF PARKING PROBLEM?

They may have found it in Seattle, where shoppers park their cars on the roof of this new public market. A block away, an aviator parked his plane on the roof of a department store

Railroads ► Spending Millions For Safety

THE signal industry is becoming of major importance in the railroad field. Total maintenance charges for signals have doubled since 1917 when they amounted to $13 millions. In 1917, new signals installed represented an investment of $9½ millions and a decade later this had increased to $32 millions. For 1927, total expenditures for maintenance, operation and new installation of block signals, train-control and correlated work totaled $91 millions. Present-day signals are designed to keep trains moving continuously and safely rather than to stop them.

Oil ► Conservation Board Would Start Control at Refinery

THOUGH still ruffled over the price flurry of recent weeks, the oil industry may find its difficulties smoothed out through a bit of government diplomacy and an unusual willingness throughout the industry to cooperate.

Outstanding development during the week was the suggestion from the government's Federal Oil Conservation Board that curtailment start in the refinery with operations reduced from a 7- to a 6-day week. Standard of New Jersey and its subsidiary, Humble, have fallen in line. Where operations make it impossible to drop work on the seventh day, schedules have been reorganized, cut one-seventh.

Just how courageous is this suggestion by the Federal Conservation Board is intimated in a statement issued by R. C. Holmes, president of the Texas Corporation, when he declared "regulation of refinery runs would appear to lead into almost insurmountable technical and legal difficulties."

His "legal difficulties" ties up with the idea of price fixing. Curtailment of refinery operations means relieving a glutted market and eventually raising the price of gasoline above its present low of 15 cents a gallon, net tank wagon price.

Price difficulties, tied closely to overproduction of crude oil, have troubled the industry since 1924, when the net tank wagon price on gasoline dropped below 14 cents. At present it is down to 15 cents, while gasoline is being sold to users in New York for 17 cents plus a 2-cent tax. The trend is still downward.

Thoughtful men in the industry have had more than a year to hash over ideas proposed at the Houston meeting, have had occasion to look up their price charts and discover that since the peak of the 1926 season there has been an almost steady drop in consumption. It is just possible that general agreement to accept the six-day refinery schedule may be the beginning of a far larger cooperation to stabilize the industry.

Utilities ► San Francisco Now Owns Water Supply

AFTER 16 years of political debate, San Francisco has entered the water business. The entire system serving the city has been acquired from the Spring Valley Water Company. At a public ceremony on March 3, deeds to the properties were formally delivered to Mayor James Rolph by President Samuel P. Eastman of Spring Valley. The city paid $39,962,606.51.

Voters of San Francisco approved the purchase May 1, 1928, authorizing a bond issue of $41,000,000. Purchase of the bonds almost two years later by the Bank of Italy completed the arrangement. Through the deal, San Francisco acquires ownership of a system including 62,500 acres of watershed lands, 28,000 acres of riparian rights and 6 lakes. Nine reservoirs for direct water service to the city are among the properties taken over together with a distributing system consisting of 7 miles of tunnels, 14 miles of flumes and concrete aqueducts, about 100 miles of riveted pipe ranging from 30 to 54 inches and 750 miles of pipe in the city serving 95,000 connections and 48 hydrants.

With the change in ownership, 454 employees of the water company become civil service employees and receive a salary increase of $132,936 a year.

Due to the removal of this property from the tax rolls, there have been predictions of city tax rate increases. San Francisco now is engaged in the utility business in two lines, street railway operation, and water service.

Management ► New Methods Mean More Employment

NECESSARY steps in "organizing for permanent prosperity" as outlined this week in Chicago at the National Management Congress include waste elimination, better distribution methods, simplification and mechanization of administration, improved control of maintenance work, more effective wage incentive plans, managerial education, readjustment of workers to the "machine age."

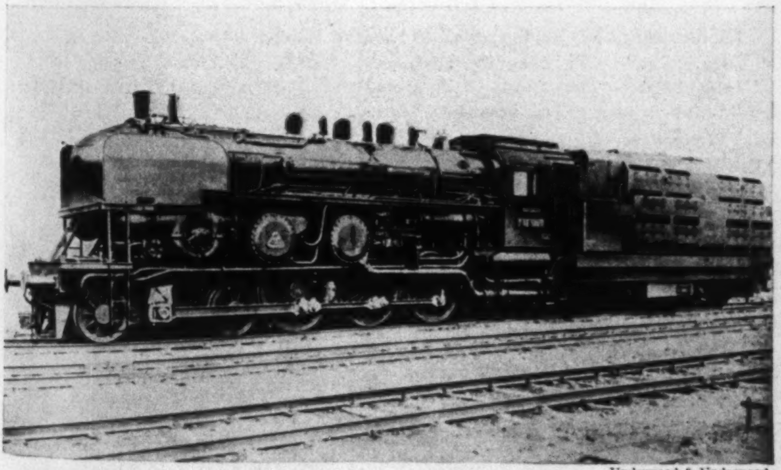
Speakers included Cyrus Ching, United States Rubber Company; R. H. Spahr, General Motors; W. T. Calloway, Middle West Utilities; C. J. Freund, Falk Corporation; C. B. Auel, Westinghouse Electric & Manufacturing Company; D. B. Kift, Edison Electric Appliance Company.

On the subject of unemployment the congress was told that, whereas technological developments frequently do throw men out of work, temporarily at least, modern production methods requiring little skill make it easier for displaced workers to obtain jobs.

Distribution ► Kentucky Taxes To Hit Chains

KENTUCKY hit at the chain stores this week. It's part of the anti-chain wave that is sweeping the South (THE BUSINESS WEEK, March 5). The Blue Grass state legislature passed a gross sales tax, and Governor Sampson, who says the chains should be forced to "bear their burden of taxation," is almost certain to sign the measure.

It levies a tax of 1/20% on gross sales under $400,000. Rates are graduated upward from that until stores with $1,000,000 or more gross sales will pay a 1% tax. The measure is expected to provide an additional $1,500,000 of revenue.

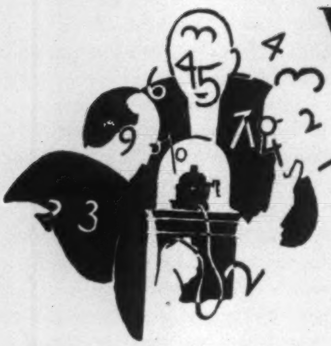


Underwood & Underwood

BIG BERTHA MODEL A

Germany's latest monster of the rails—built by Krupp and now in service between Hanover and Cologne. It has turbine engines, something unusual in locomotives, and travels at a speed of 110 kilometres an hour

What the Figures Show



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FIGURES OF THE WEEK

PRODUCTION	*Latest Week*	*Preceding Week*	*Year Ago*
Steel Mill Operation (% capacity)	79	80	93
Building Contracts (F. W. Dodge, daily average in thousands, four weeks basis)	$13,211	$10,025	$15,143
Bituminous Coal (daily average, 1,000 tons)	*1,611	‡1,704	1,959
Petroleum (daily average, 1,000 bbls.)	2,624	2,722	2,703
TRADE			
Car Loadings (daily average, all classes, 1,000 cars)	151	149	165
Check Payments (outside N.Y. City, millions)	$ 4,967	$ 5,955	$ 5,687
Wheat Receipts (1,000 bushels)	4,190	4,732	6,277
Cotton Receipts (1,000 bales)	157	147	209
Cattle Receipts (1,000 head)	*127	‡160	141
Hog Receipts (1,000 head)	*564	‡631	581
Wool Receipts (1,000 lbs.)	3,360	1,386	2,362
PRICES (Average for the Week)			
Wheat (No. 2, hard winter, Kansas City, bu.)	$ 1.12	$ 1.12	$ 1.18
Cotton (middling, New York, lb.)	$ .152	$ .155	$ .207
Iron and Steel (composite, ton)	$35.12	$35.24	$36.37
Copper (electrolytic, lb.)	$ .178	$ .178	$ .180
All commodities (Fisher's Index, 1926-100)	91.9	92.2	98.4
FINANCE			
Total Loans and Discounts, Federal Reserve member banks (millions)	$16,428	$16,519	$16,366
Commercial Loans, Federal Reserve member banks (millions)	$ 8,786	$ 8,850	$ 8,793
Brokers' Loans, New York Federal Reserve member banks (millions)	$ 3,583	$ 3,489	$ 5,647
Federal Reserve System Ratio	79.8	78.8	69.7
Stocks Sold (N. Y. Stock Exchange, 1,000 shares)	16,297	16,797	25,074
Stock Prices (N.Y. Times, average 50 stocks)	$222.15	$222.81	$246.16
Bonds Sold (N.Y. Stock Exchange, par value, thousands)	$47,557	$49,286	$48,140
Bond Prices (Dow, Jones, average 40 bonds)	$ 94.01	$ 93.85	$ 95.31
Interest Rates—Call Loans (daily average)	4.4%	4.4%	7.7%
Interest Rates—Time Loans (daily average)	4½-4¾%	4¾%	7¾%
Business Failures (Dun, number)	526	585	537

* Preliminary
‡ Revised

THE latest week's records show increased business hesitancy. Basic industrial activity, except in building, continues to slacken, and general trade indicators are doing little more than hold their own without signs of further improvement. Further weakness in prices, especially in iron and steel, reflects generally slack trade conditions.

For the second consecutive week raw steel production and steel mill activity showed a slight decline from an average of around 80% of capacity to 79%. A year ago the industry was operating at 93% with rapidly increasing activity from week to week. The Steel Corporation continued fairly steady at around 85% of capacity as against 96% last year. The independents dropped off from 75% to 73% as compared with 91% a year ago.

There is increasing irregularity among mills and by districts. The larger independents appear to be holding a steady rate and the Chicago district continues at a high level. The smaller independents supplying automobile steel demand show the chief slackening because of increased hesitancy in automobile production schedules. While railroad demand continues fairly steady structural steel awards continue below the average.

THERE is some slight encouragement in the building records. The four weeks average daily rate of general building contract awards continues upward though still below last year. The actual figures for the last week in February show a sharp rise and were higher than in the corresponding week last year. Heavy engineering construction awards, however, have shown a downward tendency in the last three weeks. Despite the slight improvement in general building contracts in recent weeks the Dodge record for February shows a decline of 2% from the January level, thus practically cancelling the increase between December and January.

The rate of bituminous coal production continues to decline and there was a drop in petroleum production also for the latest week, both being considerably below last year's levels.

PRICES showed continued weakness. Although the wheat average remained steady, cotton tended to decline, and both commodity markets were definitely weaker and more uncertain up to March 6. A year ago wheat prices were beginning to sag badly in face of a heavy carryover, which, however, is as large this year. Farm Board activities have so far failed to support the market, and the outlook for higher prices in the next few months is dubious.

The iron and steel composite declined quite sharply after being steady for the past five weeks. No change yet in copper. The Fisher all-commodity index continued to drop and is at the low point for the past two years. The National Fertilizer Association index for the week ended March 1 also showed further decline. Commodity prices are now probably at the lowest level they have been since the war.

GENERAL trade indicators at best are showing no further loss as against last year. Although aggregate carloadings, affected by the February 22 holiday, declined, the daily average increased slightly. Total carloadings are slightly more behind last year than they were the week before. Non-bulk carloadings, however, continue to run steadily 4.8% below the corresponding week of 1929, and the deficit in comparison with 1928 has been reduced to 1.8%.

Money turnover, as measured by check payments in 131 cities outside stock trading centers, was only 4.1% below 1929, the smallest deficit so far compared with last year.

Commercial loans of reporting member banks continued to decline and fell below the 1929 level, in contrast to the usual upturn at this period.

BUSINESS failures declined for the week and are below 1929. The number for the month was 18% below January but 15% above February, 1929 and 4% above 1928, and the highest since February, 1922. Liabilities were 16% less than in January but 50% more than in February, 1929 and above every February since 1922.

February chain store reports so far are uniformly below last year.

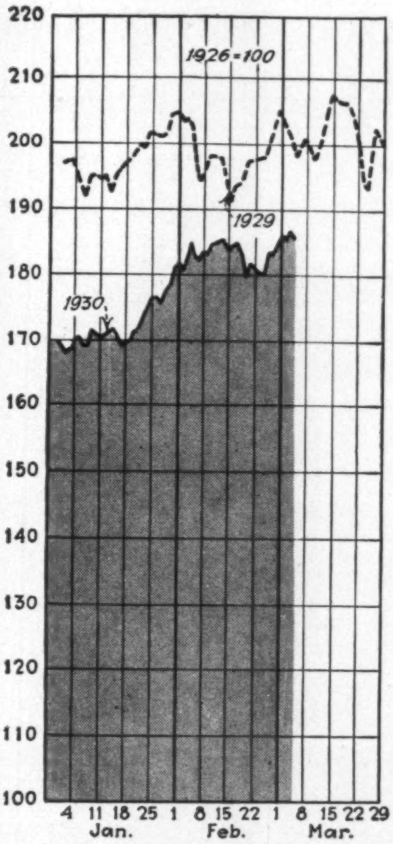
Money and the Market

STOCK prices pushed upward this week. Quotations for market leaders are highest since the crash last autumn. Sharp easing in the money market provided the stimulus. Lack of improvement in business was ignored. The Federal Reserve continued laggard.

Open market money rates declined more generally this week than at any time since the stock market debacle last autumn. Some classes of loans now are lowest in two years. The drop was in short-term, liquid funds, most affecting speculation. But easing shows signs of spreading out and directly affecting rates applicable to business.

Easing of money rates carried bond prices upward to about the highest points since December. Longer term money eased somewhat. Funds for one year were offered freely in the week for 5%. Very few takers were found. Lower rates affecting these types are among the first evidences of such easing in some time.

Rates for bankers acceptances dropped three times within two days this week. Each downward step was for one-eighth of 1%. Rates now are 3½%@3⅜% against 3⅞%@3¾% the first of the week. Longer maturities are one-eighth higher than these quotations.



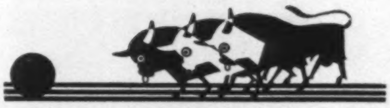
THE MARKET DAY BY DAY

(Standard Statistics Company's Daily Stock Price Index)

Call money went to 3½% for the first time since January, 1928. For recent weeks it has been at 4% and 4½%. Time collateral loans dropped ¼%. Rates now range from 4% to 4½%. Commercial paper was at 4½% and showed signs of a rate decrease.

The Bank of England dropped its rate again this week, to 4% from 4½%. Its gold stands at more than £152,000,000, highest in months. The bank is still trying to make money easier for business. Open market rates there had declined in anticipation of this action by the bank so that the step was called for on technical grounds as well. Several other European central banks followed the Bank of England, including Sweden, Denmark and the Netherlands. The Reichsbank reduced its discount rate to 5½% from 6%.

The Federal Reserve was expected to reduce its rate, but did not do so. The New York bank now maintains a 4% rate. Chicago, Boston and Kansas City make the same charge. Other Reserve banks are at 4½%.



Rate reduction to 3½% by the New York Reserve Bank is expected, despite failure to act this week. The Federal Reserve system did cut its buying rate for bankers acceptances with the market. But its bill holdings declined in the week.

The system may resort to open market operations instead of changing the discount rate. These would be more effective and helpful to business generally than the rediscount rate change. Both actions are needed.

Foreign exchange rates touched low points for the year this week, but rallied as interest rates dropped here. Recession of exchange rates recently had caused fear of a gold movement to the United States. Such a move is distinctly undesirable on both sides of the ocean. The trip to Europe of Governor George L. Harrison of the New York Reserve Bank is believed to be partly an effort to prevent such a development. Gold movements this week were negligible.

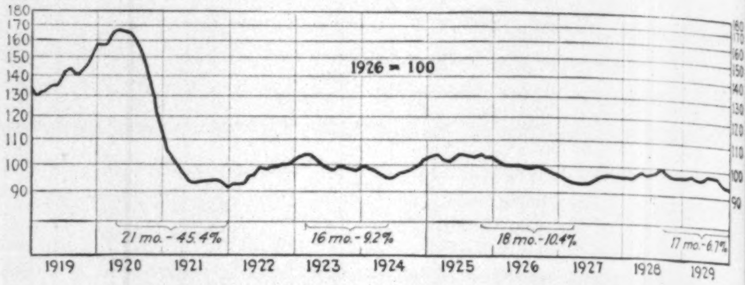
The low level of business activity, calling for Reserve help, is attested in a number of ways. Loans of member banks of the Federal Reserve system continue to decrease. Yet seasonally they should be increasing in response to spring business pickup. An ultra-conservatism on the part of bankers, as well as slow business, affects this. Banks are using surplus funds to pay off their indebtedness to the Federal Reserve, which puts the burden of helping business more directly up to the Reserve.

The statement of the Reserve banks for the week showed a further reduction of Federal Reserve credit, and an increase in the ratio. Reserve credit outstanding now is down to $1,078,000,000. Discounts (borrowings) are just above $300,000,000. Both totals are lower than for several years.

Brokers loans increased $94,000,000 for the week, evidence of the upward movement in stock prices. The increase was in the accounts of New York and out-of-town banks. These loans now have increased about $250,000,000 from their low. The loans reported monthly by the Stock Exchange increased $182,000,000 during February, figures made public this week showed.

The volume of trading on the stock exchange holds steady at something above 3,500,000 shares daily.

Commodity Price Slump Could Be Worse



WHOLESALE PRICES OF ALL COMMODITIES
(U. S. Bureau of Labor Statistics)

WHATEVER uncertainty may exist about the trend of employment and building, as pointed out on this page in the last issue of THE BUSINESS WEEK, there has been no doubt about the trend of prices.

The general downward movement of commodities has been going on fairly steadily since last July, and, in fact, if you ignore slight seasonal rises in March and May of last year, the decline has been in progress since September, 1928. It is fairly accurate to say that, except for occasional recoveries, there has been a downward trend of prices ever since 1925, when they were at the highest level since the war.

The latest report of the Bureau of Labor Statistics shows that wholesale prices in January were about 1% below the level of December, nearly 4% below January, 1929 and at the lowest level since April, 1922. In January the purchasing power of the dollar in terms of wholesale commodity prices was about 7 cents more than it was on the average during 1926, which is good news for the buyer but poor news for the seller of such commodities.

DECLINES during the latter part of January and in February were much more rapid. The index of the National Fertilizer Association for the last week in February shows commodity prices nearly 2% below the level of the end of January and over 6% lower than at the same time a year before. The declines during the year were largest in fats and oils and textiles, followed by fuel, fertilizer materials, grains, feeds and livestock.

Only a single group, house-furnishings, showed a slight rise for the year. In this respect house-furnishings are typical of the more highly manufactured products in the wholesale price index, such groups as chemicals and drugs, building materials, agricultural implements having shown relatively the smallest decline for the year.

In general, the chief impact of falling commodity prices has been upon the great raw staples which enter into international trade and affect the fortunes of their producers in many countries. Reckoning the decline from the high point during 1929 to date, wheat has fallen about 14%, cotton 29%, raw silk 7%, wool 30%, hogs 6%, beef cattle 9%, butter 31%, sugar 5%, coffee 47%, rubber 36%, zinc 26%, tin 25%. In some cases these commodities have reached lower levels than in many years, in a few lower than since pre-war days, and in the case of silver the lowest levels on record.

ALTHOUGH the general commodity price level at present is lower than at the bottom of the price deflation in January, 1922, the recent period of decline has on the whole been less severe than at any time since the war. This may mean that there is more to come. In the seventeen months since September, 1928 the general index has declined about 7%. This is a smaller rate of decline than in any of the three preceding periods of falling prices through which we have passed since the war.

From May, 1920 to January, 1922—the great post-war deflation period—prices declined over 45% in twenty-one months. In the decline preceding the business recession of the middle of 1924, running from March, 1923 to June, 1924, prices declined over 9% in a period of sixteen months. Again preceding the recession of 1927, the price level fell 10.4% between November, 1925 and April, 1927.

TWO factors have been present in all of these periods of falling commodity prices—a marked rise in production and stocks of commodities on hand, and contraction in bank credit. In the latter part of 1919 and early 1920, as is well known, stocks of commodities had piled up in enormous volume. Toward the end of 1926 stocks of raw materials were more than 60% above the 1923-1925 average. By December, 1929 the Department of Commerce index of stocks of raw materials was about 86% above the 1923-1925 average. In January, however, this index had fallen to 60% above the base period.

Relative contraction of bank credit during periods of increasing production and stocks has probably been the most important factor, since all of these raw materials would be demanded in time, if credit were available to enable them to be held long enough. The recent period of falling commodity prices, beginning in September, 1928, coincides with a period in which the rate of expansion of bank credit in the Federal Reserve System in this country began to decline relative to the increase in production, largely because of the efforts of the Federal Reserve authorities to control security speculation. During 1929, as has been pointed out in THE BUSINESS WEEK, the rate of expansion of credit was about one-tenth as fast as the average during the preceding five years. This, coupled with business recession, showed its effects in an accelerated fall of prices in the past few months.

SINCE the commodities suffering from declining prices are great staples entering into international trade it is natural that the price decline has been world-wide. This has been emphasized by the fact that the contraction of credit, which lies beneath declining commodity prices, has also been world-wide in the past year and a half, as a result of the influence of American security market conditions upon the credit situation in all countries.

The steady decline in prices in other countries has generally been more marked than in the United States. From the high points in 1929 up to January, 1930 the drop in the general commodity price index in the United States was about 5%; in England 6.4%. In France, from the 1929 high level to December, the decline was 9.7%; in Germany 4.2%; in Italy 8.2%.

This world-wide fall of prices makes the present business depression quite orthodox, and much more like that of 1920-21 than was anticipated when it began.

Electric Utilities Under Fire

They're on the first page just now, and observers sense danger to an $11 billion industry and to all our business structure

DAY by day, reports of the Federal Trade Commission's investigation of electric utility corporations make columns of news. Almost every day, issues raised over the regulation of utilities in this, that, or the other state reach the stage of controversy—and controversy is always good copy.

What does it all mean? Where will it lead? Why are so many fights breaking out just now?

The electric utilities today are in a dangerous position, clear-headed observers believe. Public sentiment grows increasingly critical. It may easily become definitely hostile. Some observers think it is already hostile.

Perhaps this $11 billion industry must go through the ordeal the railroads had to endure. What economic and social effects will that bring about?

The causes for the development of a critical condition in the utilities' public and political relations are found (1) in stock market gyrations; (2) in the Federal Trade investigation; and (3) in the consolidations and large scale financing operations of the light and power companies.

Electric utilities stocks were more or less ignored until after the war. Then they rapidly came into popular favor. Public buying, the operations of investment trusts, the organization of holding companies with their great security issues caught speculators' imagination, gave an artificial stimulus to market prices. When the inevitable crash came thousands of disappointed holders of utility securities were in just the frame of mind to listen to attacks on the industry.

The Federal Trade Commission investigation of utility publicity methods helped breed hostility. Whatever the constructive intent of the industry's leaders, there were enough mistakes made by over-zealous publicity men to inspire sensational newspaper comment about propaganda and attempts to influence newspapers and school children.

But the activities of the industry itself did most to focus public attention. A rapid consolidation of ownership has been brought about in a few years. The growth of interconnections through the building of high tension lines gave opportunity for striking publicity items about electric power from Chicago lighting the homes of Boston and other similar stories. Utility investment trusts came into being. Their stocks often had a spectacular market career. Thus the public viewed a new and a big business in the mirror of current happenings and didn't like the reflection—despite the fact that sound mergers make for better, more extensive and cheaper electric service.

Ewing Galloway

MOST recently attention has been focussed on utility rates and utility regulation, with disputes over state and Federal jurisdiction of rate cases, control of interstate energy transmission and the development of water powers. This field has been fertile ground for political comment especially in New York State where the utterances of Governor Roosevelt have received national attention because of his prospective candidacy for the Presidency.

So certain types of politicians are getting good sport from attacking the "power trust." The utilities can get no hearing—they are suspected as "biased." The general public cannot grasp the workings of a big and complicated industry. Even leaders of national thought prefer to neglect the subject rather than make a study of the conditions in order to make competent suggestions. Mass psychology is pressing against the light and power companies.

What will be the effects of this swing in public sentiment if it is unchecked?

In the first place, it undoubtedly will create peril for the utilities. It will be effective in forcing lower rates, stricter regulation, lower margins of profits, a less favorable credit position in the money market. This will make it more difficult for the utilities to expand and to develop the full possibilities of electric service, for swings of the pendulum always go too far. Thus the future will see brakes clamped upon the rapid expansion of electric service. The spending power of an industry that now uses about a billion of new capital each year to expand its service will be curtailed.

But aside from the selfish interest of the utilities, there will be a reaction unfavorable to the social and economic progress of the country. It is due to the rapid growth of a prosperous electrical industry that the United States leads the world in the use of electricity. Electricity has become available to industry in every locality and to home owners in all parts of the country. It is essential to industrial production, to transportation, to lighting, to home convenience and comfort. And in the minds of the leaders of the industry, present development is only a beginning. They have goals for intensified and new services for the factories and the homes far past those now reached. It is reasonable to assume that these services will not be made available so quickly or so extensively by an industry held in economic pincers. In large measure, stagnation or retrogression in electrical progress will react unfavorably on national well-being.

WHAT are the fundamental issues involved?

Rates for service are tangible. The disputes over adequate rates always revolve around the fixing of the fair value of a utility property. Here arise complex economic and legal questions, often involving the Federal as well as state authorities. The job is in the same category as the valuation of railroads. And after a rate base is agreed upon, a further difficulty is to find allocations of investment so that rates to different classes of customers may be apportioned. Here, after all the technical details are answered, enter such elements as competition, uniform regional rates, and other larger decisions that must be based on wise judgment, value of service given, development of business, and regional good.

Another issue involving regulation has come about through the growth of the holding company. State regulatory bodies do not control these new creatures. States cannot check their financing, management and construction fees. Nor can they deal very satisfactorily with the interstate transmission of power by holding company subsidiaries. So arises the suggestion of Federal regulation. Not many states look upon this with favor. The states argue that only about 6% of the energy is interstate, that agreements between state commissions can deal with the problem satisfactorily at present.

Courtesy Okonite Co.

Part of the present public frame of mind undoubtedly is created by those who advocate public ownership of electric utilities. The alternative to regulation is public ownership. Each alleged failure in state regulation is capitalized by advocates of government ownership. Even Governor Roosevelt leans in this direction for the development of water power in New York State.

Another issue is created by the market activities of holding company and investment trust securities. A regulated industry is limited in earnings, so, ignoring the subtleties of holding company finance, it is difficult for the public to understand widely fluctuating security prices. An upward turn, to the man in the street, means there must be exorbitant earnings and high rates. There is no mechanism available to stabilize the prices of securities of this new industry. Utilities stocks must grow sedate and seasoned in the security markets just as the railroads did, and through the same economic processes.

It is also evident that part of the attack on the industry is pure politics. The big industry is a ready target to shoot at and to tease. It is defenseless, largely because it is so big, so complex in organization and operation.

WHAT are the real facts? Undoubtedly the complete facts about the industry are available now to the Federal Trade Commission. But the analysis, interpretation and digestion of the individual utility company returns are a task of enormous magnitude and will take time. Facts are dry reading. It is difficult to see how these facts can be presented in such a way that the public will grasp them, or in time to stop the growing public hostility.

Those who know the industry concede it is not perfect, but say that by and large it has done a big job in a big way. The vast majority of the companies are good organizations, directed by able men whose hands are clean and who want to give more, better and cheaper service.

The industry can point to definite things it has done in a very few years—it has a record of continuously lowered rates and continuously improved operations. The trend toward consolidation and interconnection is based upon economies and is a logical business development. Intelligent leaders of the industry support regulation wholeheartedly and will readily agree to any strengthening of regulation that is intelligently conceived. The utility men ask, "Why doesn't someone state a program so that we can agree or disagree?"

There is much vagueness and "ballyhoo" in the situation but undoubtedly public sentiment is being swayed. From every point of view the need is for a clear statement of issues, a logical program for action and a meeting ground where action may be had. It is poor business to let an industry drift into disaster.

Chains Do Only 10% of Canada's Trade

ALTHOUGH the chain store business is growing very rapidly in Canada, the independent store is still the dominant factor in retail distribution. Total annual sales of retail establishments in the country are estimated by the Dominion Bureau of Statistics at $2,000,000,000; of this business, about $200,000,000 is done by chain stores. Out of about 60,000 retail merchandise outlets, between 16,000 and 17,000 are in chain systems.

The chain system has made greater headway in the grocery trade than in any other in Canada and of the 132 chains of stores covered by the Bureau's survey, 24 are grocery chains. The total retail grocery business of the Dominion is estimated at between $250,000,000 and $300,000,000; of this, about $65,000,000 is done by the chain stores. Even in the trade where it has made the greatest advance, the chain system is still far from dominating. The other trades which have been extensively invaded by the chains are meat, general store, drugs and tobacco.

Of the 132 chain systems, 106 are conducted by incorporated companies, and the total capitalization of these is $57,000,000. Of this investment, 82% is owned in Canada, 15% in the United States, and the remainder in Great Britain and other countries.

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SPEED REDUCERS

Style Is First When Women Buy

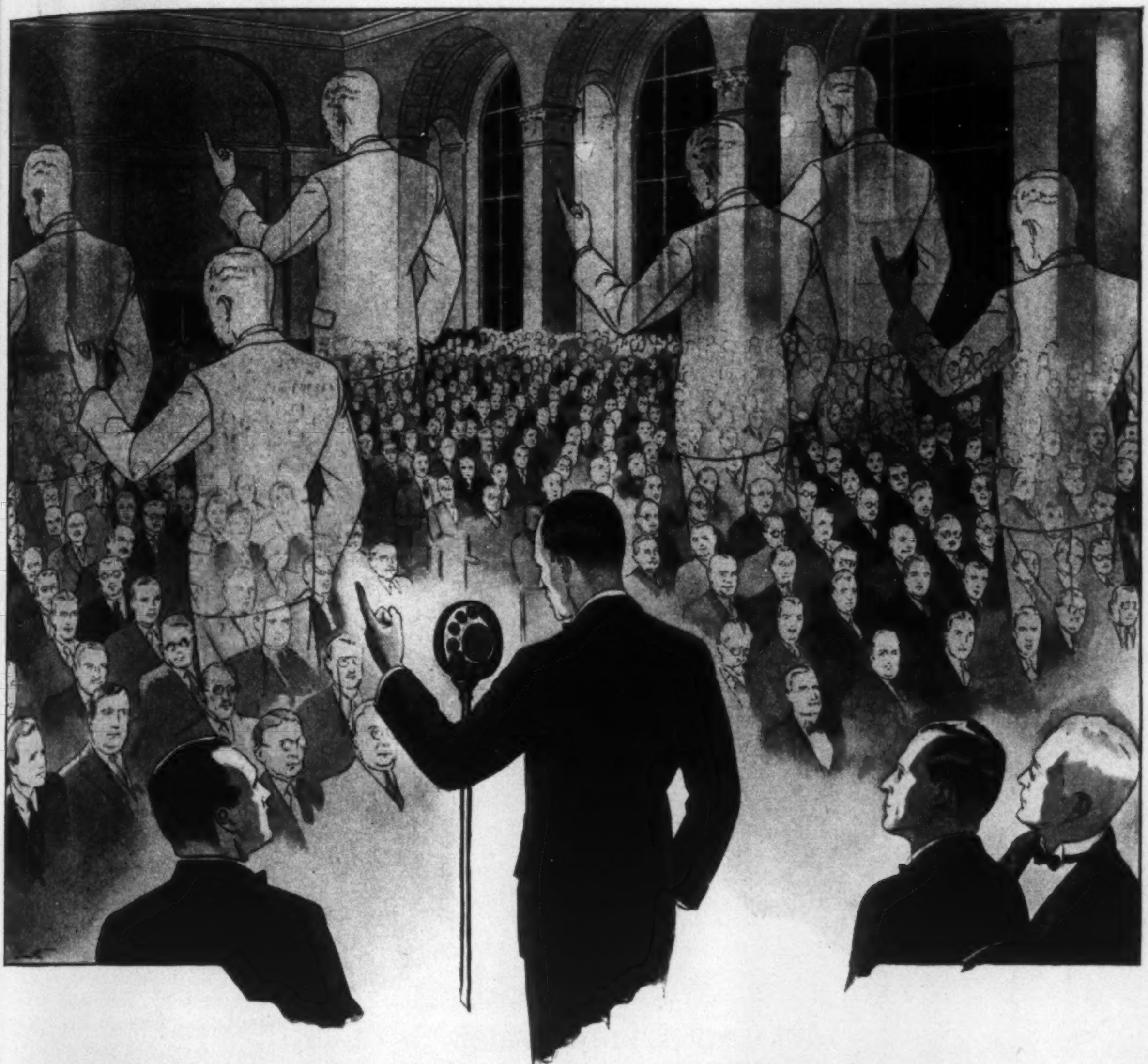
THE housewife—the purchasing agent of some 24,000,000 families in the United States, who pours some $32,000,000,000 a year into the retail till—is not nearly as good a judge of quality and workmanship as her grandmother was, according to those whose business it is to know what and how she buys. She depends to a very great extent upon a trademark, or she follows the less dependable guidance of looks and cost. Of two jars of cold cream, the same size, one at $1, the other at $2, she wants the latter.

Competition is doing much to compel quality to keep pace with price, yet recently the department of economics of the University of Cincinnati, reporting on a test of silk stockings priced from $1.50 to $2.95 a pair, asserted that the $1.50 grade were of better quality than all but one of the more expensive brands. Yet most women will continue to believe that the higher priced articles are invariably the better.

Whatever else a woman must have when she buys, she must above all things have style. Dependability of merchandise keeps a woman coming back to the same store, but things must be style-right or she won't buy at all. Such considerations as economy and durability lag far behind. She views everything from a style angle—washcloths, automobiles, frying pans, or what have you?

Four large commodity groups take almost three-fourths of the housewife's purchasing dollar, 28.51% going for food, 24.29% for clothing, 12.10% for automobiles and the expenses connected with them, and 9.84% for furniture and house furnishings. These figures are the result of a study of retail sales in eleven cities by the Chamber of Commerce of the United States—Atlanta; Baltimore; Denver; Fargo, N. D.; Kansas City; Chicago; Providence, R. I.; San Francisco; Seattle; Springfield, Ill.; and Syracuse, N. Y. The study showed that women were not drawn to the chain stores to any preponderating extent. Chicago showed the highest proportion of chain stores sales, but even there it was only about 37% of the total. The average for eleven cities was 28.72%. In Fargo, over 93% of purchases were made at independent stores, and in Syracuse over 85%.

The woman in the large city spends more on clothing for her family than the woman in the smaller town.



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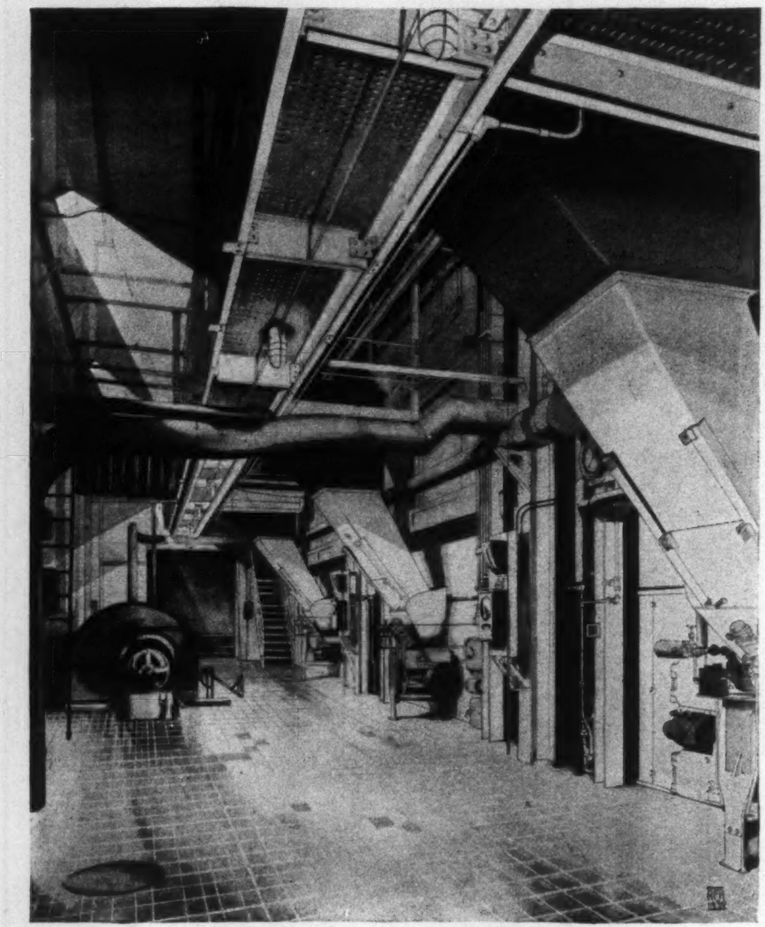

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"A SAVING is a profit in the making" was never truer than in the modern power plant where so much of the heat is put to work effectively that the power house is cool. Fuel feeds into the furnace quietly, steadily, without smoke or dust.

Such a plant is a source of profit with frequently measurable influence on the dividend record.

This whole subject of profitable power production merits the attention of every major executive.

The illustration shows an interior view of one of the American Tobacco Company's power plants.

J. E. SIRRINE & COMPANY
Engineers
Greenville South Carolina

After a McGarrah, A Technician

A TECHNICIAN has become chairman of the board of the greatest Federal Reserve bank. A trader in government securities who has grimly watched the sixteenths of a point has been chosen as New York agent of the Federal Reserve Board in Washington. Herbert Case, who left New Jersey banking in 1917, succeeds Gates W. McGarrah in one of the most exalted of American banking posts.

Mr. Case has a wide acquaintance throughout the financial field. Much of it was gained through his activities in World War financing. He is a speaker of some note and an expert on commercial paper. He has an intimate knowledge of banking and of Federal Reserve practices. He has been senior deputy governor of the New York Reserve Bank for years, and acting governor during the absence of Gov. Strong in 1920.

He is rather unassuming and is very unlikely to be a dominating figure in the Reserve system. He is not another Benjamin Strong, who not only dominated the New York bank but most other banks as well. Nor is he another McGarrah.

As a man to keep the Reserve machinery running smoothly in New York, and an agent who will keep his eyes on the technical side of finance, he can render important service to the board. With Mr. Case as chairman and George L. Harrison as governor, the New York bank probably will not be such a thorn in the side of other Federal Reserve officials as it has been in the past.

Four fields get special attention from the chairman at the New York bank, in addition to his duties of agent of the board. Mr. Case will keep a watchful eye on auditing, statistical work, public relations and examinations. Though lacking in statistical and economic training, he is friendly to research. He is well-equipped to handle public relations. The other two activities largely take care of themselves.

Mr. Case has made himself popular with financial news reporters at the Reserve Bank in New York. They have been counting it as a "break" when the senior deputy governor has seen them, for they say that Mr. Case gives them more news than anyone else at the bank—and they have often suspected that it has occasionally been a little more than some of the other officials approved.

1 in 100 Firms Failed in 1929

Good year, bad year, the business death rate has stood at 1% since the year 1881

BUSINESSES are mortal, like people. They are hopefully born, sicken and die of various diseases. Hence business, too, has its mid-wives, doctors, clinics, undertakers, and its vital statistics. Dun and Bradstreet, who keep the health records and register the births and deaths of American business concerns, give us each year in their statistics of business mortality a glimpse of the quite human frailties, fortuities and fatalities of business, and, withal, the regularity of business changes and chances which is so sobering and yet so reassuring for the hope that springs eternal in the business breast.

The records of business mortality, which in the case of Father Dun extend back to 1890 and of Mother Bradstreet to 1881, turn a gentle cold shower on many of the popular ideas about business. It is an old saw that the larger part of those entering business life are doomed to failure. This is true only in the sense that all people are born to die. The rate of business mortality, that is, the percentage of business concerns failing each year, varies relatively little, like the human death rate.

Over the approximately fifty years for which we have records nearly 1 out of every 100 concerns in business each year has failed. Figures for 1929 now are available. The rule still holds. In 1929, according to Bradstreet's, the percentage of those in business failing was $^{93}/_{100}\%$, almost exactly the average for the years since 1881. In some bad years like 1884, 1893, 1896, the rate of business mortality rose as high as 1.46%; in some golden years like 1919 it dropped as low as $^{29}/_{100}\%$; but in only seventeen out of the past forty-nine years has the rate risen above 1%. Incidentally, banking is less safe than general business. The mortality in some recent years like 1926 has risen as high as 2.74%.

Nor is there much evidence in these vital statistics of business that business is any safer than it was in earlier years. On the whole the chances of failure, 1 out of 100, are about the same today as they were in the last century.

On the average almost exactly 20,000 concerns have failed each year since 1921, and the 19,703 failures in 1929 were only slightly below the average. Although these failures, last year, represent liabilities of $600 millions there is no sign that anybody was deterred from bringing a bouncing new business into the world. More businesses have died in the years since 1921 than have been added to Bradstreet's rating book. The net increase in the business population between these years was 164,612, and the total mortality 180,826, which indicates that the number of new concerns launched into the world to do and dare must have been around 345,000. Even in a bad year like 1922, with the largest number of failures on record, 22,415, there was a net increase of 62,304 in the business population, which means that nearly 85,000 new concerns must have been born—almost four times as many as died.

THE vital statistics do not tell us yet what parts of the country are the healthiest for business to be born in, but Father Dun has paid special attention to what might be called the occupational mortality of business and Mother Bradstreet to the moral frailties and diseases, contagious or hereditary, which cause businesses to depart from this world.

Generally failures are most numerous in retail and wholesale trade and commercial lines, probably because the business population is largest and the annual number of business births also largest in this field. The number of deaths among manufacturing concerns is much smaller, half or a third as great, and among agents and brokers least of all.

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In 1929 according to Dun there were 15,417 failures in the trades, 6,007 among manufacturers and only 1,485 among the agents and brokers. It was a somewhat worse year than any in the past five for manufacturers and brokers and a much better year than the past two for the trades.

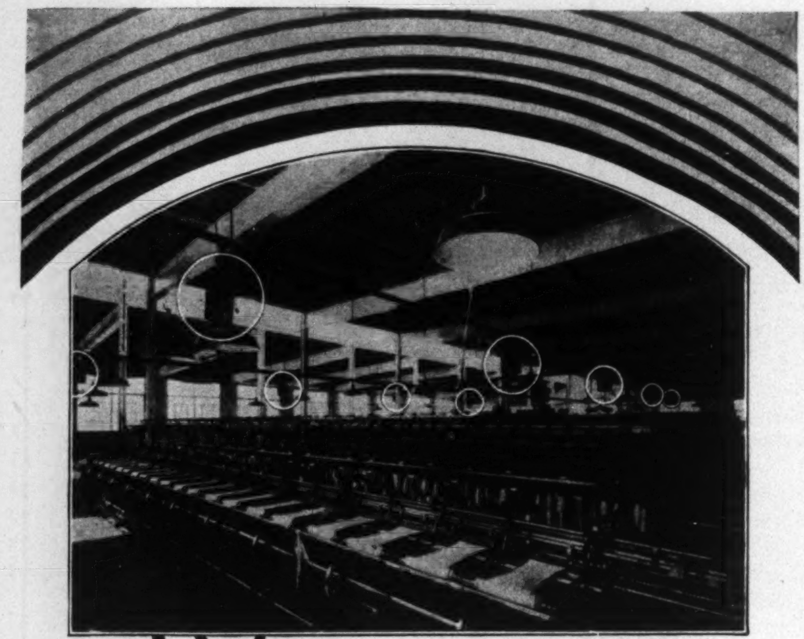
Ever since 1926 the largest number of failures has occurred in lumber and woodworking industries. Clothing and millinery manufacture is second and flour milling and baking a close third. Machinery and tool manufacturers have the next highest mortality.

In wholesale and retail trade, groceries, meat and fish dealers show the largest number of business deaths in most recent years and clothing and furnishing dealers follow second, with the old time general store a close third. Curiously enough, in the manufacturing industries, cotton, lace and hosiery makers, and paint and oil manufacturers die off in smallest numbers, and in the trades paint and oil dealers also pass out relatively infrequently. In 1929 there were only sixteen failures in cotton, lace and hosiery manufacturing and none at all in December. This may, however, be a case in which a business is too sick to die.

Strangely enough, the same thing is true of wool and knit goods manufacturers, and if you are a tobacco manufacturer or dealer your chances of meeting the business undertaker are also relatively small. If you want a short business life if not a merry one, however, start a lumber mill, carpenter shop or a grocery or meat store. The chances are 1 to 5 that you will cash in (or out) within a year.

THERE are many things that contribute to one's departure to a better business world beside a mistake in choosing the right business. Bradstreet's, after long experience, insists that personality or lack of a strong character is the most fatal thing in business.

"It remained for the Bradstreet Com-



When constant temperature is important-

IN ORDER to operate the weaving machines in this big eastern silk mill a room temperature of 70° was necessary. Below that, contraction in the looms meant broken needles. As much as two to three hours was lost each working day during the winter, with old, slow heating methods.

Now, with standard Modine Unit Heaters, thermostatically controlled, constant temperature is maintained. Modines deliver the heat down, keep it down. Start heating instantly. Shut off instantly. Models 701 above weigh only 130 lbs. Suspend from the steamline. Replace over two tons of pipe coil or cast iron radiation. Our engineers will study your heating or drying problem and offer recommendations. Write today for complete information.

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pany's research into the cause of the business troubles to prove the truth of the old maxim that a man is the architect of his own fortune and therefore of his own success or failure in business."

In fact, of the eleven frailties which Bradstreet's lists as the cause of failures eight are classed as faults of those failing and only three are things for which the unfortunate business is not to blame. These personal defects are incompetence, inexperience, lack of capital, unwise credits, speculation outside the regular business, neglect of business due to doubtful habits, personal extravagance and fraud.

According to records in 1918, when all the best men and the best businesses were in the army, the proportion of failure chargeable to individual characteristics of the business reached the highest on record, 86%. But year in and year out on the whole, Bradstreet's says, over one-third of business failures are due to lack of capital and nearly one-third to incompetence. The next in importance are specific conditions like disaster, war, floods and other acts of God. Speculation apparently was a relatively minor factor in business mortality last year and competition accounted for less than 4% of the failures; but inexperience was the cause of nearly 5% of business demises.

Bradstreet's, which keeps an eye on Canada as well, notes curiously enough that the percentage of failures due to incompetence is much smaller, less than 25%, than in the United States. But inexperience and unwise credits as well as competition are apparently greater weaknesses in Canadian than in American business.

Just as the public health bureau and physicians have found that certain diseases associated with modern life, such as heart disease and cancer, are rising in importance as the cause of death, Mother Bradstreet views with alarm and misgiving the tendency of defects of business character to increase as a cause of business mortality. In the earlier years starting with 1890, down to 1915, Lack of Capital easily led among the reasons why men failed in business. Since then Incompetence and Inexperience have been the most important factors. She sees, however, a little encouragement in the fact that in the past two years, 1928 and 1929, Competition and Lack of Capital have become more dangerous to business health, whereas Incompetence dropped off sharply in importance to the lowest point since 1915, while in 1929 the lowest percentage of businesses on record died of what she calls Fraudulent Disposition.

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Standard Oil of Indiana Ends a Year of Peace

STANDARD OIL of Indiana, chairmanless since Stewart's retirement a year ago, will continue that way, well content, thank you. At the annual meeting Thursday noon, stockholders reelected Edward G. Seubert president. But they named no chairman.

Profits for 1929 were the biggest in history, $78,499,754 after taxes, and Standard of Indiana has always been a big earner. While the reported increase was a little over a million, actual increase in earnings from operations was $20 millions. For, in 1928, Midwest Refining, a subsidiary, paid into the central treasury a special dividend of almost $22 millions, about $19 millions more than in 1929. This $19 millions was more than made up, mainly from parent company operations.

"Exceedingly high morale among employees" is stressed by President Seubert in his annual report as an important cause of this highly satisfactory record. Sales of refined products were 39 million barrels, a 10% increase. Yet the number of employed increased only slightly, and producing and marketing expense decreased.

Only one change was made in the executive line-up Thursday. It indicates that operations of Pan-American, instead of being fused, are to be even more definitely separated from those of Standard than they have been. T. S. Cooke resigned as Standard director to give all his time to Pan-American, where he is director and vice-president in charge of manufacturing. A. W. Peake was named his successor and made vice-president in charge of crude oil production. He was formerly president of Dixie Oil, a wholly owned producing subsidiary.

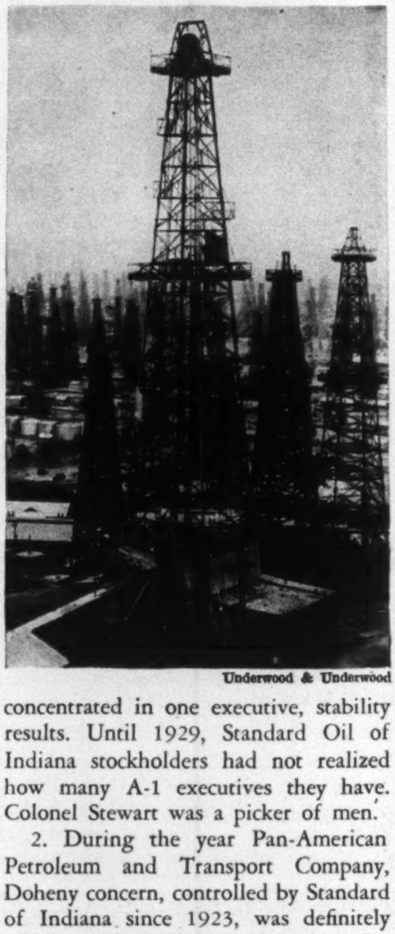
Directors are often "big names" whose principal function is to be told what executives have been doing for some time past. Not so in Standard Oil of Indiana. There, directors direct. Regular meetings are held at frequent intervals. Special meetings may be called at any time.

Nine of 11 directors of Standard Oil of Indiana are company officials: One president; one treasurer; three manufacturing chiefs; two sales; one purchasing; one traffic.

The other two, first and only non-officials ever to serve on Standard of Indiana board, are Melvin A. Traylor and Bruce Johnstone, added a year ago. Mr. Traylor, in spite of other duties, has been actively interested in the company. So has Mr. Johnstone, a Chicago attorney. Now that Colonel Stewart is out, he is the only lawyer in the group.

Among achievements of the year since Stewart, six stand out:

1. The organization has been strengthened and solidified. Because able men, counseling together continually, share responsibilities formerly concentrated in one executive, stability results. Until 1929, Standard Oil of Indiana stockholders had not realized how many A-1 executives they have. Colonel Stewart was a picker of men.



Underwood & Underwood

2. During the year Pan-American Petroleum and Transport Company, Doheny concern, controlled by Standard of Indiana since 1923, was definitely taken over by exchange of stock; 7 Indiana shares for each 6 of Pan-American. This has changed Standard of Indiana from a midwestern to an international concern.

3. A refinery on the island of Aruba in the Dutch West Indies, 25 miles off the coast of Venezuela, was put in operation January of this year. To supply it with crude, a fleet of shallow-draft tankers steam out of Lake Maracaibo in a body at high tide each day. Oil goes direct into refinery tanks.

4. Vacations with pay have been inaugurated for hour workers in refineries and elsewhere. A workingman, after 5 years, gets one week each year; after 10 years, two. President Seubert, who himself started as a mechanic's helper in the Whiting refinery 29 years ago, takes a keen interest in such activities.

5. Large extensions in crude oil properties were made during the year, 175,000 acres of oil lands being acquired in the new Kansas and Michigan fields, and in Oklahoma, Texas and Louisiana. In August, the company acquired also a half-interest in all undeveloped acreage of the Amerada Petroleum Corporation, which totals half a million acres in Oklahoma and Kansas. Dixie Oil, producing subsidiary, reported a net loss of a little over a million for the year, due, in part, to curtailment following prorating of production.

6. The third employees' stock purchasing plan was put into effect and now has 16,757 participants. Of stock distributed under first and second plans in recent years, 470,070 shares, about 75% of that subscribed, are still retained by employees. The annuity plan continues successfully, 379 aged or disabled employees being cared for.

Scientists are high—and numerous—in Standard Oil of Indiana councils. Two directors, Dr. Robert E. Humphreys and Dr. Gentry Cash, manufacturing executives, are Ph. D's in chemistry, Johns Hopkins University. More than a dozen graduates of Massachusetts Institute of Technology are employed. "Tech" men are operating the new Aruba refinery. At the Whiting refinery there are 25 "Doctors," mostly of chemistry. There are a dozen or so more at Chicago headquarters. One past president, Dr. W. M. Burton, is a Ph. D. in chemistry. With Dr. Humphreys, he is co-inventor of the Burton cracking process.

Side by side with these highly-trained technicians sit an even larger proportion of men who started at the bottom many years ago. Two directors started as stenographers: Allan Jackson, vice-president in charge of sales and Amos Ball, his general sales manager. Edward J. Bullock, vice-president of purchasing, began as office boy in Milwaukee. Charles J. Barkdull, treasurer, came up through the accounting department. Robert H. McElroy, vice-president of traffic, is a former railroad man.

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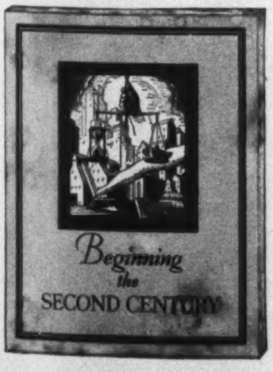

A copy of "Beginning the Second Century" will be sent postpaid if requested on your letterhead. This book contains interesting historical information as well as a practical discussion of weighing methods that save time and money for modern industry. Fairbanks, Morse & Co., Chicago.

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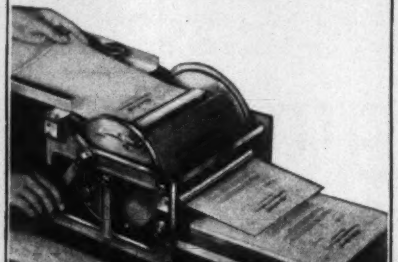

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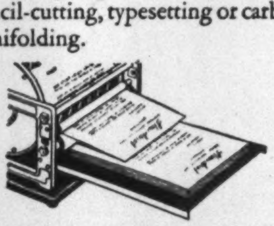

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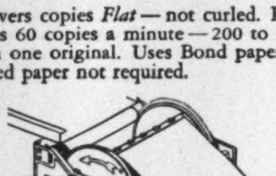

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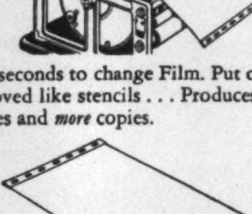

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Business Could Profit by Using A "Natural Business Year"

ARBITRARY boundaries of time and territory hamper business. "A Plan to Promote Regional Economic Balance," proposed by THE BUSINESS WEEK (January 8), suggests natural geographic regions as territorial business units. Likewise, time units should be natural ones.

In many lines, the natural business year ends December 31, and so coincides with the calendar year. But, in the majority of cases, including retailing, automobile manufacturing and distributing, and most food, clothing and fuel industries, it does not. Because of the calendar habit, about half of the big businesses, and most small ones, end their fiscal year at the wrong time. For industries producing raw materials or other commodities in which seasonal inventories are large and margin of profit is low, such a practice is especially dangerous.

A fiscal year should end with the natural year, which is during the lull that follows one season's peak and precedes the next.

Advantages:

1. The annual report is a complete, finished story. If another closing date is used, data will be from portions of two separate business years.

2. In the between-season lull, costly rush work is avoided, as executives, accountants, bookkeepers have more time.

3. Inventories are lowest. Stock-taking is easier, cheaper, more accurate. Shelf-warmers more readily discovered.

4. A slow-season financial statement looks best. Notes and accounts payable are low. Cash is high, being carried over from one busy season for use in the next. A "cleaner statement" is obtained, with higher current ratio. This is important because the annual statement is generally the basis of bank and commercial credit for the year to come. A business can seldom show as good a statement for the calendar year as for the natural business year.

5. Comparisons and statistics based on natural-year operations are more valuable than those that disregard logical seasons.

6. Facts are available at the very time when they are of most use in planning for the future.

7. Publicity, if desired and deserved, will be greater. In January, there is now such a congestion of statements that many are not printed or commented upon.

Accountants are most eager for business to shake off the shackles of the calendar. They must now do a good share of their whole year's work in the first three months. They must hire temporary help, resulting in less satisfactory service. Similarly, congestion in credit departments of banks would be lessened by natural-year closings. So would congestion in advertising agencies and publishing offices, due now to the widespread custom of preparing advertising schedules for the calendar year.

Retail stores provide the most examples of when not to close books. The usual closing date is December 31, before the Christmas rush has been cleared away or the January clearance sales begun—a bad time to impose added work on a tired staff. Accountants agree that January 31 would be a logical time for most stores. What takes place in a store in January is the final step in liquidating last year's business. The real year begins when the spring merchandise starts to come in.

The University of Illinois recently made a canvass of 439 companies to determine the natural business year in various lines. Of these companies, 72% reported that they closed December 31. Had they used natural years, only 44% would have closed then. The remainder would have been spread out over the entire year. The University investigators found to their surprise that one of the main reasons given for calendar year closings was the income tax. Executives actually believed that the income tax law compelled reports to be filed as of December 31! Had they never read the blanks? They say plainly that "the net income shall be computed upon the basis of the taxpayer's annual accounting period (fiscal year or calendar year, as the case may be)." Moreover, the Bureau of Internal Revenue has a special form for those who wish to change their closings and accounting periods.

Trade associations, seeking ways to increase their members' stability and prosperity, might well ponder the advantages and economies of natural business years, and campaign for their general use. Substituting logical for illogical territory in business cuts cost of distribution. Likewise, substituting logical for illogical time units cuts cost of accounting. Natural territory and time units in business are really nothing more than a further extension to business of that uncommon quality, common sense.

Guaranty Plan In Last Stand

THE moot question of bank guaranty laws is being discussed vigorously in Nebraska and Mississippi this week. Most everyone in the corn state seems pretty well "het up" on the question. Down South Governor Bilbo is threatening and denouncing the legislature for its attitude. Although many states joined in the guaranty movement and incorporated it in their banking laws 20 years or so ago, the question is alive only in the two states at present. But in those two it is alive and kicking.

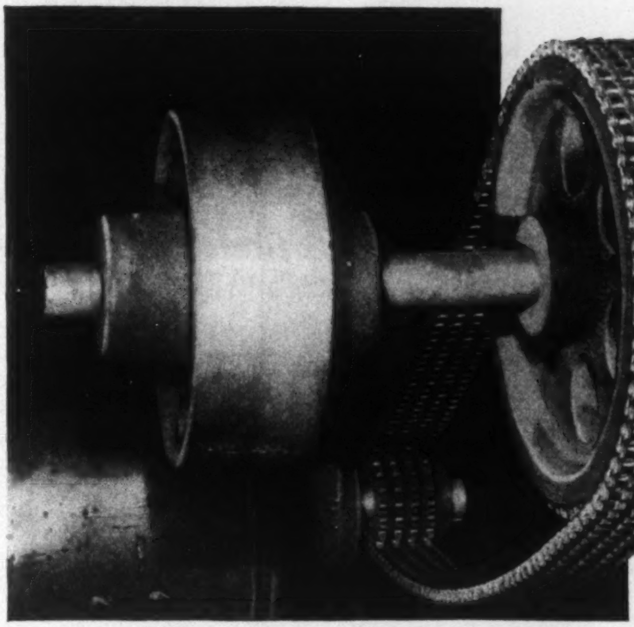
The Nebraska law is a scheme for guaranteeing bank deposits by assessments against solvent banks to pay for those which have failed. Failures have been numerous in recent years. The guaranty fund has a deficit of about $20 millions. Assessments of $3 millions against the banks are unpaid. The banks are fighting the law, but the state supreme court has held it valid. Now they are taking it to the U. S. Supreme Court, declaring it confiscatory. And they're joining the national banking system to get out from under the operation of such state laws.

Governor Weaver is perturbed at the course of events and has called a special session of the Nebraska legislature. He wants to clean up the present mess and then modify the scheme materially along the lines of the so-called South Dakota plan. He would put a milder assessment on the banks, have the state—the taxpayers generally—chip in $8 millions, and let the depositors in failed banks lose a little. Many bankers are sending demands to the legislature that the law be repealed.

In Mississippi Governor Bilbo and the state legislature are fighting it out along the line of a bank guaranty law. The banks are far behind in their payments there, too.

Schemes to make bank deposits safer are of long standing. Reserves of various kinds are, of course, required by law. The South Dakota plan is a compromise, and really serves to create additional reserves. It grew out of the wave of popularity that the guaranty scheme enjoyed a generation ago. It is significant that almost all of the states which adopted guaranty plans of one kind or another have since repealed or greatly modified them.

Opponents charge that the guaranty plan simply subsidizes bad management in banks, and say several other unkind things.



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We Start to Manufacture Homes

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Ewing Galloway

NEXT to agriculture, dwelling house construction is probably the most backward of all the major arts. Other kinds of building have been revolutionized in the last half-century. The core of the modern city—its factories, stores and office buildings—belongs to the times, but its homes are still put up by the primitive methods of the Middle Ages. Cut and fitted together on the job, their construction is poor, their cost excessive. Modern manufacturing principles have, as a rule, no part in them.

There are exceptions to the rule. This year may bring more of them—has already contributed some. Sears, Roebuck and Montgomery Ward have both just announced (THE BUSINESS WEEK, January 29, March 5) that they are coming into the home construction field to put up their own ready-cut houses. Observers find more promise than ever before that current experiments with steel units for frames and concrete units for walls and floors may accomplish a revolution in home-building.

Never has the country seen more need of one. The President's conference has called upon building to take up the slack in business. If there is to be any enthusiastic response in residential building, prospective home-owners must have something more to be enthusiastic about than they now have on the score of either satisfaction or economy. In the period 1925-1929, while the annual award of commercial and industrial building contracts has been going up 30.2%, there has been a decline of no less than 28.3% in residential contracts. Against last year's gain of 11.2% over the 1928 value of factory, store and office building, must be placed a plummet drop of 31.2% in home-building. Many factors enter into the making of these discrepancies but the failure of the building industries to bring the construction of dwelling houses into line with commercial and industrial building is far from least important of them.

IF home is "where the heart is," our homes ought to be the highest expression of modern craft. And, since there are many times more homes than other buildings, we ought to be in possession of ample experience and highly refined methods. Unfortunately, everyday knowledge contradicts any fond beliefs we may have on this point; so does the judgment of authorities.

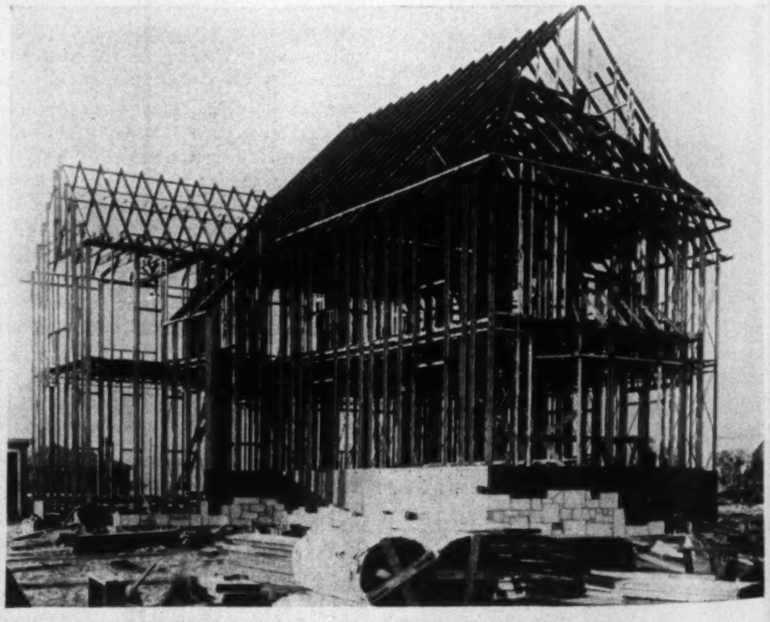
"Is it true," an experienced builder was asked, "that business buildings are better planned and built than dwellings?"

"Absolutely true!" he replied. "There is no comparison between the average dwelling house and the average office building in either excellence or cost. The office building is convenient, safe, durable and cheap; it doesn't have cracks open up all around the floor, doors fail to latch, and windows bind or rattle, as probably happened in your own house soon after you moved in!"

He went on to explain that business buildings are constructed of permanent materials and, therefore, are fireproof, do not suffer from settling, shrinkage or decay, and have low upkeep cost. Also, that with all these advantages and the expense of elevators and other costly equipment, they are cheap to build, because they are built by systematized construction methods.

Costs, of course, are influenced by difference in size of operation; putting up a fifteen-thousand-dollar house cannot be as economical as constructing a two-million-dollar business building. But the most important difference between the two is the contrast between random procedure and systematic building methods.

A business building involves a large investment, so large that both the owner and the loaning agency are intensely interested in getting efficient construction and low cost. They have plans carefully prepared. Experienced builders compete for the construction contract, and the one to whom the job is awarded is required to complete it in the shortest possible time, so that the least loss of rent will be incurred. While the old buildings on the site are being demolished, fabricating shops are making the parts of the new frame, ready for quick

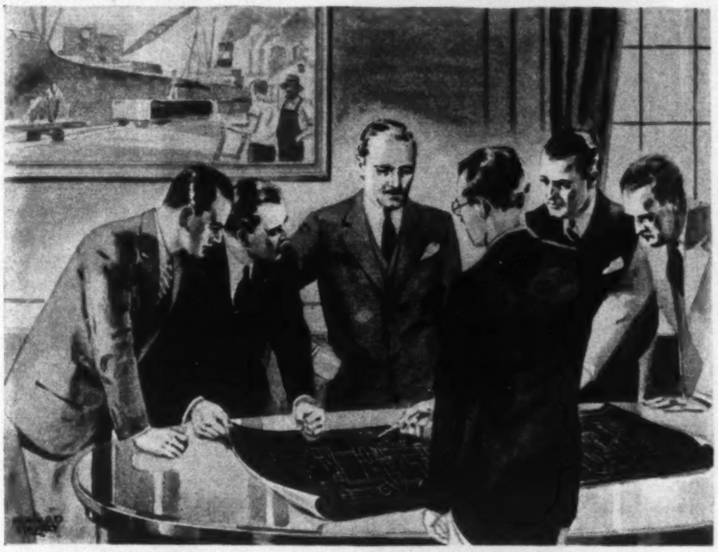


SKYSCRAPER METHODS

Shop-built steel frames can be used in homes as profitably as in office buildings—and put together on the job just as speedily

Modern KNIGHTS of the Round Table

successfully battle costs with PRESSED STEEL

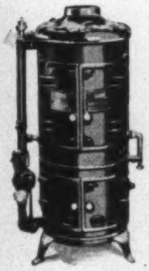


WHEN departmental heads gather round the board . . when losses are scanned . . sales on the wane . . overhead seriously discussed—pressed steel, in many instances, is saving the day.

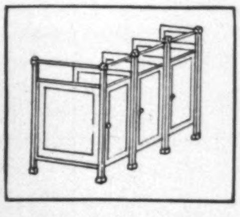
Time and again, when bulky parts or products are devouring profits due to heavy materials, excessive machining, assembling and freight costs, the pressed steel engineer, by redesigning the article in flat rolled steel, is plugging the leaks.

If your product is heavy and cumbersome, pressed steel will reduce the weight, sometimes by 50% or more. If competition is keen, pressed steel cuts costs all down the line, offering greater price flexibility to meet changing conditions.

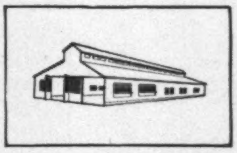
. . Redeveloped pressed steel Hoffman Heater, assembled weight 134 pounds.



Old model Hoffman Heater containing 9 large castings. Assembled weight, 244 pounds.



Steel toilet partitions are light in weight, speedily erected and absolutely sanitary.



Steel buildings save money, erection time, upkeep — and provide more usable space.

WEIGHT SAVED . . ! MONEY SAVED . . !

By changing to Pressed Steel The Hoffman Heater Company saved 45% in weight of the heater shown to the left. Costs were reduced all around permitting lower retail prices. Put the test to your own products — information on Pressed Steel can be had by writing to Trade Research Division, National Association of Flat Rolled Steel Manufacturers, Terminal Building, Cleveland, Ohio.

Save Weight Money Labor with Steel

We Start to Manufacture Homes

assembly on the ground as soon as the foundations are prepared. Before erection of the frame has progressed very far, work on floors and walls is started, partitions are built and the installation of equipment begins, all in carefully coordinated manner and without idle time.

These methods have evolved progressively since the beginning of the modern era of building construction less than 45 years ago. During the same period, however, there has been no change in the methods of constructing homes. There have been improvements in equipment—modern plumbing, steam heat, electric wiring—but the work of the builder goes on in the same way as at the beginning.

ONE authority estimates that more than half of all dwelling-houses are built by operators for sale. These men are usually not builders, and often have little background other than knowledge of real estate. They have a shrewd appreciation of current style in houses, and select plans which will make their houses sell most readily. But excellence of construction is not a factor in selling, so it takes second place to cheapness.

But modern manufacturing methods can be successfully applied to the dwelling-house field, say those who have studied the subject. As soon as parts are made in factories, ready for assembly on the job, quality will go up and cost will go down as it has in all other fields of production. House-building, today, is in the same stage that automobile-building was 30 years ago—and forward-looking construction men boldly claim that scientific construction methods can do for it all that they have done for the automobile.

Two different lines are being followed in attempts to modernize building. One is the application of the factory-production principle to houses of conventional construction—the wood and plaster type, it may be called. The other is the creation of a new kind of construction, using incombustible materials and applying manufacturing methods to suit.

The first means the ready-cut house system. It has already made a practical start, being easy to introduce since it is adapted to the existing building-trades organization and procedure. In this system, the lumber is cut to right shape and dimension in a large central shop, and is shipped to the job with just the proper amount of plaster or plaster board, roofing material, hardware and nails. Any building contractor can put it up, and do a faster and cheaper job than when everything has to be cut and fitted at the site. And five- or six-dollar factory labor aided by machinery is better than ten- or twelve-dollar field labor dependent on hand saw and plane.

Builders are not particularly friendly to the ready-cut system, for it leaves less work for them to do. So the prospective home-owner who buys the ready-cut material may find difficulty in getting it put up. This has been an obstacle, despite the advantage of better grades and lower prices on material bought in large lots and selected at the factory rather than at the local lumber yard. But the opposition appears too short-sighted to endure. With capable business spirit back of it, the ready-cut system is likely to meet with increasing success.

IN the meantime, a great deal of effort has been devoted to modernizing house construction by eliminating wood from the main elements and using, instead, steel, gypsum and cement. With these materials the fire danger is eliminated; so is that destructive shrinkage which comes as a constant annoyance to householders. And these materials admit the application of shop manufacturing methods. The result may be a complete transformation of house-building and the attainment of a new level of quality. Today, houses deteriorate so fast that few people care to buy or rent a house more than a dozen years old. A house built of permanent materials would need, at most, the replacement of a few items of equipment to make it "as good as new" at any time.

Such a house will have a shop-built

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frame of steel, made in separate members or sections ready to be set up and fastened together quickly on the job, on a cellar or foundation previously built. The frame may have close spacing, like that of the wooden studs or joists in an ordinary house, or wide spacing like that of the columns and beams of an office building. To clothe this frame, pre-cast wall units of gypsum or cement concrete will be brought from the factory, set in place with a light truck crane and bolted to the frame. Floors may be of similar pre-cast units or may be cast in place, as thin-ribbed slabs of a light gypsum or cement mixture. Double-shell construction is easily applied to walls, floors and partitions, though adequate insulation against weather, heat and sound transmission is obtainable with a single thickness. The roof will be made of slabs laid on rafters and covered with a weather skin of tile, copper, slate or cement shingle, completing the permanent structure.

Equipment will be installed in pre-assembled units as far as possible. The boiler will be set whole, not assembled from pieces laboriously rolled or carried into the cellar as now. The work must be efficiently coordinated on all items of installation and finish if the full degree of cost-reduction possible is to be obtained.

Development work on the adaptation of the fireproof house to production methods has gone so far that the chief problem now is commercial rather than technical. A large market must be created for a new type of product, shops must be built, and both planning and field-erection organizations created. Extensive coordination with related fields of production is required, moreover, since nearly every element of the house structure would be affected. Yet such a home, comparable with a modern business building rather than with a camp in the woods, may soon be a practical reality. Its entry into the market will mean profound change in many fields of production and business.

▼

Not On "Family Tree"

"THE Family Tree of the Steel Merger" listed the Lake Erie Bolt and Nut Company as one of the components of the Republic merger. It is entirely independent.

The Lake Erie Iron Company sold its commercial bar iron business to the Republic in 1899 but retained its bolt and nut business, and on July 1, 1919, the Lake Erie Bolt and Nut Company became successor.

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ETHYL GASOLINE

Ralph Budd Plans a Vacation

He hasn't had one in a long while and this Russian party looks like his kind of holiday

THE postman on a holiday takes a walk. The sailor takes a boat-ride. If Ralph Budd, president of the Great Northern Railway, can find time for the first vacation he has had in years, he will spend it riding on Russian railroads. For the Soviet government, faced by the urgent necessity of re-organizing and rejuvenating its collapsing railroad system, has asked Mr. Budd to survey the lines, Americanize them, and pull them out of the morass into which they have sunk through incompetent direction and operation. The job will require about three months of hard, steady work, made more difficult by unfamiliarity with the Russian language and Russian railway methods. Mr. Budd is now trying to decide, and probably will decide soon, whether to accept the invitation. He would "like to do the job just for the fun of it," but he may be prevented by various matters in connection with the proposed merger of the Great Northern and the Northern Pacific. In railroad circles, it is believed that new developments in the merger may be expected almost any time.

Mr. Budd's assertion that he would regard as a vacation the stupendous task of leading the Russian railroads out of the wilderness of inefficiency, illustrates the characteristic which has been the dominating force of his career—enjoyment of his work. Moreover, he is accustomed to accomplishing things, and the more difficult they are to accomplish the better; he would probably feel lost if he were not confronted by some knotty problem that required immediate and successful cracking. Ten to sixteen hours a day are the ordinary hours of labor for him when important tasks are to be performed. Often on inspection trips over the Great Northern, after a day which has left his associates gasping and fagged, he will be found at midnight poring over statistics, maps and data. Maps, by the way, especially old ones, are one of his few hobbies. He has a large collection, and is always on the lookout for more.

RATHER tall, spare, quick and decisive in movement and speech, the president of the Great Northern looks much younger than his fifty-one years. He is pleasant to meet, and makes friends quickly and easily in any circle, although he lacks many of the "good fellowship" traits which characterize the professional ready mixer. He has none of the ordinary business man's hobbies or outside interests, such as golf, baseball or luncheon clubs, and he dislikes to waste his time in table talk. He talks business during meals more often than not, and elsewhere whenever he finds an opportunity. In his home town he is more likely to be found riding the street cars than behind his chauffeur, and he nearly always carries a large supply of tokens, strung on a large brass safety pin for convenience.

Aside from playing with his collection of maps, he finds his chief relaxation in reading history. For many years, he has been particularly interested in the historical background of that part of the United States running from St. Paul to the Pacific Northwest, which the Great Northern serves and has helped to develop. His knowledge in this field is extraordinary, considering the limited time at his disposal. Some of his associates declare that if all the printed histories of the early Northwest were destroyed, the head of the Great Northern could almost replace the most important ones from memory. It is not uncommon for writers dealing with a Northwest historical subject to submit their manuscripts to him for criticism and verification of factual statements.

Primarily Mr. Budd is an engineer and, although his duties as chief executive of a transcontinental railroad require him to devote much time to business and finance, his real happiness is found in working on an engineering problem. He experiences a greater thrill from finishing a tunnel than from completing an important financial deal. This is not unnatural, of course, for he began his career as a rodman with a surveying crew in 1899, the year he was graduated from Highland Park College at Des Moines. He soon attracted the attention of John F. Stevens, a noted engineer who discovered the Marias Pass through the Rocky Mountains, through which James J. Hill, the "Empire Builder of the Northwest," carried the Great Northern to the coast.

MR. STEVENS became chief engineer of the Panama Canal in 1905, and Mr. Budd was appointed chief engineer of the Panama Railroad, rehabilitating it so that it would carry the immense quantities of excavated material. Four years later, he joined the Hill organization in the Northwest as chief engineer of the Spokane, Portland & Seattle Railway. Soon thereafter he made a survey of the possible route by which Hill could extend the Great Northern into California. Twenty years later, after Mr. Budd had become president of the Great Northern, this survey was followed as far south as Klamath Falls, Oregon. And now the Interstate Commerce Commission is considering plans for continuing the route across the California line to form a connection with the Western Pacific and its San Francisco terminal.

Mr. Budd has served the Great Northern as chief engineer, assistant to the president, executive vice-president and, for the past ten years, as president. During his term as executive head of the system the road has put more than $150 millions into property improvements, besides paying dividends steadily. The improvements included the 8-

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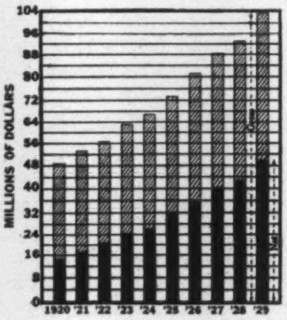

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mile Cascade tunnel, the longest railway tunnel on the American continent. Including track revision and electrification, the project cost $25 millions.

Last summer Mr. Budd took the transportation bull by the horns and reduced his passenger schedules from Seattle and Chicago some seven hours, resulting in a speeding up of passenger service throughout the West. He is always keen to find opportunities to maintain and increase public goodwill for the Great Northern. He likewise believes very firmly in personal public service. During the past few months he has himself given much time to volunteer work on the public commission which is building St. Paul's new $4,000,000 city hall and court house.

IT might be amusing to ride the Russian rails with Mr. Budd—if you're willing to pay for your amusement in long hours and arduous toil. You would be pretty sure to come back with the "low-down" on what all this profession of the gospel of work on the part of the Soviet leaders really amounts to. The president of the Great Northern happens to be their kind of man—or at least the kind of man they are setting up as an ideal for the masses. He does like work; he does grind and he doesn't just talk about it. All this may imply limitations. The cynics can make the most of them. It's the way he is; and he has never thought of apologizing for it. When the Russian jaunt is all over—when they get back from the Urals and the steppes and the tangled freight yards of the Muscovite cities—if Mr. Budd goes with them—it might pay Stalin to make some discreet inquiries as to how many of his adherents in the inspection party have come home calling their trip a "vacation." The results should justify the cost of their guest's vacation, if the great Party got nothing else out of it.

Auto or Not, They Ride the Trolleys

STREET car riding is gaining rapidly in the large cities. Survey of 10 (New York, Chicago, Detroit, Cleveland, Baltimore, Boston, Pittsburgh, St. Louis, Milwaukee and San Francisco) shows 33% increase in last 10 years in passengers carried by electric railway companies. Actual 1929 total, as compiled by *Electric Railway Journal*, is 6,500,000,000. Population in same cities has increased only 16%. Number of rides per inhabitant has grown from 330 to 375.

Wide Reading

WHEAT CRISIS THREATENS DISLOCATION OF CANADIAN TRADE RELATIONSHIPS. J. A. Stevenson. *Annalist,* February 21. Whole story of wheat pool with unfavorable effects on related business. Keen, interesting analysis.

ARE LABOR UNIONS DESTRUCTIVE? Louis Stark. *Outlook,* February 26. They have their good points. Examples of constructive programs operated by Labor.

ORTIZ RUBIO, MEXICO'S NEW PRESIDENT. Salvador Mendoza. *Current History,* March. Intimate sketch with frank, lucid discussion of government policies particularly affecting business.

IS THERE ROOM FOR BOTH RAILROADS AND RIVERS? John W. Love. *Nation's Business,* March. Railroads may have to accept existence of Ohio River as part of life's burdens and work on from there. Bare possibility day will return when railroads can operate steamship lines.

THE STRUGGLE IN RUSSIA. Vera Micheles Dean. *New Republic,* March 5. Vivid, inclusive story of Soviet struggle to force collectivism in agriculture—real test of the Russian experiment.

REVIEW OF UNITED STATES TRADE WITH THE FAR EAST FOR 1929. Janet H. Nunn. *Commerce Reports,* February 24. Imports up; general exports down. Sales to Dutch East Indies show striking 32% gain; to India and Australia healthy increase.

STORMS OVER INDIA. P. W. Wilson. *Outlook,* February 26. Rational interpretation of Indian Congress and probable effects on French, Dutch, and American colonies in the Far East.

COORDINATING VARIOUS FORMS OF TRANSPORT. *Engineering News-Record,* February 27. Discusses possibilities of integrating rail, motor, and water transport systems.

NOW IS THE TIME TO ADVERTISE. Earnest Elmo Calkins. *Review of Reviews,* March. Present depression is psychological; advertising is a cure.

BOOKS

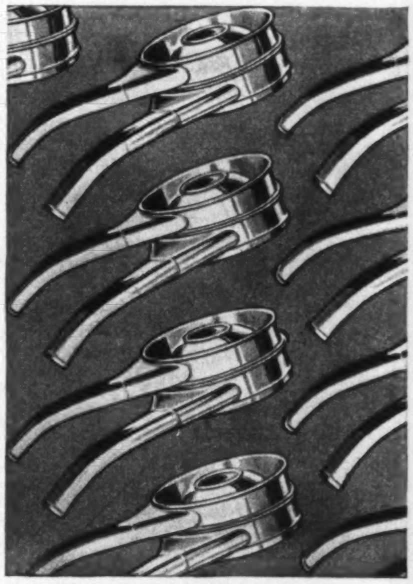
ACCOUNTING FOR EXECUTIVE CONTROL. Monard V. Hayes. Harper, 495 pp., $6. Standards for appraisement and control which accounting can create in each department of business.

AN AUDIT OF AMERICA. Edward Eyre Hunt. McGraw-Hill, 203 pp., $2. Two-volume report on "Recent Economic Changes in the U. S." concisely summarized, omitting statistical tables and charts, by the secretary of the committee appointed by the President's Conference on Unemployment.

STORE MANAGEMENT FOR PROFIT. Willis O. Derby. Harper, 163 pp., $3. Records, financial management, sales promotion discussed in a practical way for small dealer in men's wear.

AMERICA AND ENGLAND. Nicholas Roosevelt. Cape & Smith, 254 pp., $3. Facts, issues, ties which hold apart and bind together England and America. Especially pertinent during present naval conference discussions.

THESE SHORT-CUT PRODUCTION Methods Mean Worth-While Economies



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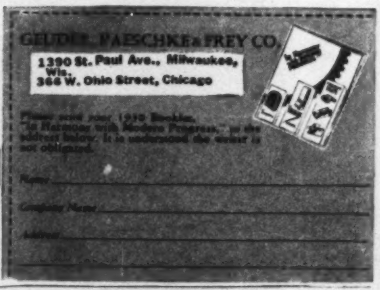

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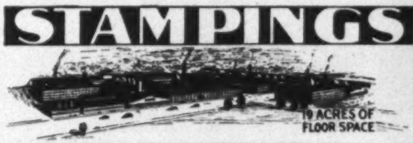

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Write for complimentary copy of "More Profits in New York," a fact book of Bush Service to others. Outline your problem — type of product, method of sale, price range, etc., — and receive, with this book, a special Bush Service letter telling just what our organization can do to make your sales cost dollar in New York produce more profits.

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Please mention this issue of Business Week

WHAT THE LEADERS SAY

AS long as we have instalment buying, Socialism hasn't a chance in the United States. Says Max Eastman, radical philosopher:

"When every man who hasn't a Ford or a radio expects to be able to make a down payment on one next week, you can't get him interested in the doctrines of Socialism. Whether the country is prosperous or not makes little difference so long as the working classes can enjoy a high standard of living. They may have to buy on deferred payments, but they buy and in the enjoyment of their material luxuries and the hustle to keep ahead of the collector, they have no time or inclination for . . . Socialism."

▼

FRANK was Dr. Virgil Jordan's criticism of present credit stringency to members of the National Metal Trades Association:

"Dampening of speculative interest either in the stock or in the commodity markets by repressive credit policy or by attacks on the exchanges is exceedingly unwise and untimely. A wider speculative interest is sorely needed now to support commodity prices, and governmental action is a poor substitute for it. Moreover, the changes in our financial structure since the war may have made the security market the main channel by which bank credit can be drawn into general use for business, especially when business is as hesitant as now."

▼

MOOTED is the value of trade associations. The pro's scored a gain when I. Grossman said in a summary of his three years as president of the Industrial Council of Cloak, Suit and Skirt Manufacturers:

"By working with the Garment Retailers of America, we encouraged the production of certain types of coats and suits to enliven the traditional between-seasons dullness. Our arbitration arrangement with the two fur-trimming manufacturers' associations ended the costly litigation that had been so common between coat makers and furriers. We have collaborated with the Wool Institute in devising a uniform order blank that amply protects all concerned. Several suggestions have lately been placed before the recently formed association of salaried resident buyers to insure harmonious relations."

Britain Launches the Spring Drive For Rationalization

But banking support is lukewarm and labor is suspicious—1930 will be a critical year in the life of British industry

"RATIONALIZATION" is the slogan of the hour in British industry, as the only sure, though slow, way out of her serious economic difficulties. It will figure in the political debates and business discussions of 1930 as never before. As the issue has been put, "it is a question either of rationalizing the nation or nationalizing the ration." The press is full of views and counter-views of its significance, of ways and means, of the part which the banks should play in it. The Labor Party is playing with the idea, tentatively, because it is pressed with other plans, and panaceas, more swift but less certain and has to cope with opposition in its ranks.

The philosophy of high wages and low labor costs is being discovered and preached by some industrialists, to somewhat skeptical listeners. One steel manufacturer, urging the banks and the government to take a hand in making comprehensive plans for rationalizing the steel and shipbuilding industries, defines it acutely as "the amalgamation of firms doing a similar business with the object of securing greater efficiency and economy in production." This is not the vertical combination or price ring in the style of some of the continental European cartels, which have achieved production efficiency and are looking now for distribution efficiency.

A beginning was made last year in the worst-depressed industry, cotton, by the formation of the Lancashire Cotton Corporation, with the support of the Bank of England and other banks holding frozen loans in the industry, to amalgamate and reorganize financially a large number of sick concerns. During 1929 the Corporation has consolidated 71 concerns and is expected soon to bring in 23 more, so that it will be in control of about a quarter of the spindles in the American section of the industry. It is installing ring spinning frames and more modern automatic looms in many of the antique mills.

Similar efforts have gone forward in the iron and steel and machine industries, and last week a new organization, the National Shipbuilders Security, Ltd., was launched to develop a comprehensive scheme of rationalization for the shipbuilding industry which is, next to textiles and coal, the most depressed by excess capacity and foreign competition.

It now looks as though the Labor Government will succeed in putting through its plan for national reorganization of the coal industry without having to go to the British electorate again on the issue. The Conservative Party is anxious to avoid any such appeal because it would probably be badly beaten and the Labor Party given a clear majority in a new Parliament. The Bill last week survived by a narrow margin another in the series of votes which important legislation in Britain has to pass before it is approved.

This plan applies to the coal industry a scheme in many ways similar to our own Farm Board's plan for the improvement of agriculture. It is directed not to improvement of production efficiency so much as to improvement of the marketing system and to control of prices, by setting up regional coal marketing pools which will maintain higher domestic prices for coal in order to permit larger export of coal at lower prices. In these respects it is rationalization on the Continental plan of production à la cartel, but, under the insistence of the Liberal Party, it will provide ultimately for the amalgamation of mines and the elimination of the less efficient concerns.

The announcement by the Minister of

Ewing Galloway

THE OLD LADY OF THREADNEEDLE STREET AT HOME

Looking down the Wall Street of England. The Bank of England is on the left. The more imposing structure on the right is the Royal Exchange

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Unemployment, J. H. Thomas, some weeks ago, that the British banks were willing to cooperate in schemes of reorganization and rationalization of British industry, followed by the participation of the Bank of England in an investment organization called the Securities Management Trust established for this purpose, as well as in an instalment financing institution called the United Dominions Trust, has brought forth a lot of discussion of the proper rôle of the banks in relation to industry. The interest of the Bank of England in such matters is regarded as a kind of patriotic personal activity of its governor, Montagu Norman, and the participation of the Bank itself is not much approved.

The heads of the "Big Five" joint-stock banks, with the exception of McKenna of the Midland, are supposed to have agreed to take part in Mr. Thomas' new movement to finance the rationalization of industry, but, in the speeches at annual meetings of their stockholders, all of them were rather lukewarm. They emphasized the traditional conservative view that the British banks should not lock up in long-term industrial investments funds which they hold subject to withdrawal on demand. Some insisted that capital for such purposes must come first from savings and doubted whether there would be much of this in view of the increased burdens of taxation to meet increased costs of social services. Goodenough, for Barclay's, said bluntly that it was up to industry to reorganize itself and Beaumont Pease, for Lloyd's, added that the banks lacked sufficient detailed knowledge of industry to decide matters of industrial rationalization.

IT is probably true that the British banks, which are traditionally commercial banks organized and run primarily for the financing of current trade needs and especially foreign trade, will not be able to do much alone in the long-term investment field. Private underwriters will have to carry the burden for some time, and the current situation in this respect is not promising, as a recent incident shows. When the $35,000,000 5% stock issue of the Central Electricity Board—the semi-official organization trying to rationalize the public utilities of Great Britain on what is known as the grid system—was brought out early in February at 97½, about 92% of it was left with the underwriters.

Unless foreign capital comes into Great Britain for this purpose, England may have to cut down on her foreign investments to secure capital to carry through any large rationalization schemes.

Even though the banks were able to overcome their traditional conservatism enough to begin to take the part in industrial financing, which the German banks have long taken, and even though capital were immediately available from other sources, the rationalization idea will still have to reckon with the antagonism of labor. In its early stages, at least, rationalization is likely to involve some increase of unemployment, and the labor unions are already worrying about this in the cotton industry, where the introduction of ring spindles has displaced male labor by female, and in the steel and textile industries, where consolidation has closed some plants. They resist also the speeding up of labor, involved in efforts to increase man-hour output through rationalization. On the whole, it is said that whatever reduction of unemployment was accomplished in the last year or so has no more than offset the amount of labor released through rationalization.

Altogether, the path of rationalization in England seems likely to be a long and difficult one. In Germany, where the pre-war indebtedness of industries was wiped out through the depreciation of the mark and a fresh start was made, the banks, with the aid of a large inflow of foreign capital, have carried the process of rationalization to a very advanced stage. The task there has been, in many respects, nearly completed; in England it has just begun.

Jewel Tea and Club Aluminum

THE BUSINESS WEEK, Feb. 19, said that Jewel Tea Company had bought Club Aluminum Utensil Company. The facts are that Club Aluminum "has entered into a management contract" with the Tea company. Jewel will furnish executive management for three years. H. J. Taylor, vice president of the Tea company, will be president of the Club Aluminum company. Also the Tea company has a three-year option on 70,000 shares (a working control) of Club Aluminum stock at $20 a share. No arrangement has yet been made for sale of Club Aluminum ware from Tea company wagons, but such a plan is quite in line with the sale of Chase & Sanborn coffee from Fleischmann Yeast wagons and other similar combinations of distribution facilities in food and allied industries.

Swift Survey of Business Abroad

EUROPE

By Special Cable to The Business Week

VARIED business conditions in Europe this week cover a wide range. With the situation in Germany disquieting, in France reflecting world over-production, low prices, restricted purchasing and new production, and abnormal unemployment, sentiment is spreading that a depression cycle will absorb the entire year. Single factor toward optimism is the upturn in prices of cotton and wheat, watched hopefully as sign of an incipient change in trend.

Clouded political horizons are clearing. In France the market has stiffened, indicating that business is pleased as the Tardieu government gets a larger than expected majority. In England the Empire Party, professing that Baldwin's declaration this week adequately embraces the principle of protectionism, rejoins the Tories. The Liberal vote of confidence in Lloyd George, who previously was rumored to plan to resign as party leader, strengthens the prospect for a stronger consolidation of the Opposition. In Germany, the coalition cabinet has reached an agreement on measure to cover pending deficits, thus averting an impending blowup. If the Reichstag accepts the plan, it clears the way for Young Plan ratification. In Spain, deepening rift between Republicanism and Monarchism increases the artificiality and precariousness of the Berenguer government.

France joins Italy and Spain in opposing the tariff truce and probably voices a majority sentiment. Effort of the conference now is to arrive at beneficial but toothless formula. There is greater unanimity in proposals tending to emphasize "Europe for Europeans." Delegations wish to promote inter-European marketing of European agricultural products through better sales credit organization and uniformity of regulations.

Germany joins the United States in protesting to the Portuguese government against granting to the French subsidized, but nominally Portuguese, Spela—air transport company—a 30-year monopoly to utilize the Azores, as transatlantic station, due to the intercontinental importance of an Atlantic station for lines of other nationals.

Lufthansa-Zeppelin is organizing a combined plane-dirigible service between Germany and South American countries via Spain. Count Von Eckener plans an initial test flight soon.

By Special Cable to The Business Week

Great Britain—Outcome of political uncertainties, tied up with the budget and Coal Bill, is expected to determine future business course, now in an interim of trendless character. New conversion loan is expected to stiffen prevailing easy money, but market is heartened by many large or sustained dividend announcements. Depression is primarily among coal, ferrous, and leather industries. Textiles are again weaker with proposed increases in Indian tariff a new discouragement; many other manufacturing lines sustained and retail volume fair. Shipbuilders form National Shipbuilders Security, Limited, authorized to borrow $15,000,000 for the purpose of contracting the industry, now over-extended. Competitive efficiency will be increased by purchase of redundant yards for dismantling, and by inter-company financing. Lancashire forms British Cotton Textile Association for the purpose of uniting spinners, weavers and merchants in the mass production and sales of one or a few standard cloths. Metropolitan Vickers gets $4,000,000 Montevideo power station contract.

Imperial Economic Committee announces compilations showing Empire leads world's trade percentages with total gold value of exports and imports, excluding re-exports, as follows:

	Empire	Europe	United States
1913	$28 billion	$34 billion	$11 billion
1929	$29 billion	$28 billion	$14 billion

In percentages of world trade:

	Empire	Europe	United States
1913	2.2%	1.2%	0.9%
1928	3.9%	1.8%	1.9%

By Special Cable to The Business Week

Germany—Week's business indicators again lower, but evidence inconclusive whether depression threatens total collapse or is likely to yield if politico-fiscal uncertainty is resolved or if world prices recover. Financial condition of the Reich states and communes undoubtedly is critical. Question whether or no country can sustain any abrupt fiscal reform, or whether extended interim of foreign financial assistance will become requisite. After reducing the $110,000,000 special debt sinking fund by including $40,000,000 previous fiscal deficits, and after increasing the beer tax to an estimated yield of an extra $60,000,000, coffee and tea duties $15,000,000, newly proposed taxes on mineral waters $9,000,000, benzol $15,000,000, and after surrender of preferred Reichsbahn shares on collateral loan of $40,000,000 from employees, insurance funds still remain uncovered with an estimated deficit of $25,000,000, arising from excess unemployment. Situation is snarled by concurrence of ratifications of Young Plan, unfavorable Polish liquidation treaty, Budget Bill, party tax reform dissensions, and refusal of the Catholic party to ratify the Young Plan before fiscal unanimity is assured. Hindenburg is again stabilizing intervention alone preventing resignation of Curtius and Moldenhauer.

American automobile interests to present case against proposed drastic increase in duties which, however, will now operate to protect local General Motors, and Ford. Reported that movie interests have advised equivalent restrictions at least for another year.

By Special Cable to The Business Week

France—Generally believed new government is now secure until the Budget Bill, Young Plan, and naval issues are passed. New program calls for immediate passage of pending administrative legislation followed by two main projects: Fiscal reorganization and agricultural relief. The first is based on budget equilibrium and continued regularity of debt amortization—though probably at a slower rate—and reasonable recourse to treasury surpluses to cover capital expenditures, thus permitting stimulatory tax reduction redistributions. The second is based on agricultural intensification, larger protectionism, improved marketing facilities, and export research. Foreign policy remains unchanged. Pathé becomes the French representative of R.C.A. photophone. Indicates that the rumored fusion with Gaumont is impossible while the latter is manufacturing competitive equipment.

By Special Cable to The Business Week

Belgium—Business is relatively steady. Railway freights have increased 10%. Lloyd Royal Belge, New York-Antwerp freight line, is conspicuously developing trans-Belgian imports from the United States to continental Europe. Encourages both port and inland warehousing and financing. Merges maritime Belge du Congo and Antwerp Matadi Labito.

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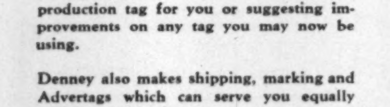


After Office Hours . .

CORPORATIONS have no heart? Well, perhaps not, but a few have the germ of something which looks suspiciously like it.

Evidence: Edison Lamp Works of General Electric Company is being transferred from Harrison, N. J. to Nela Park, Cleveland. Some employees have local associations so deep-rooted that they find themselves unable to make the move. So a G. E. advertisement appears in the New York *Times* telling local concerns of their opportunity to secure efficient employees trained in accounting, research and statistical work, all of whom have General Electric's unqualified recommendation. Interested persons are directed to inquire of the Personnel Division, Edison Lamp Works.

Again: In consolidating its manufacturing operations at Detroit, United States Rubber Company found it necessary to close a number of outlying plants. Besides giving the workers a month's notice of the impending calamity and paying them a generous dismissal wage, the entire resources of the employment department of U. S. Rubber were placed at the employees' disposal to aid them in securing new jobs near their homes.

▼

WHEN the directors of the Union Trust Company of Cleveland, about to add another story to their building, had their attention called to the engraved notes of apology that the president of New York's Irving Trust sent to neighbors within range of the riveting barrage on its new building, the Clevelanders replied, "Not interested." Publicity men bemoaning the lost opportunity, stockholders worried about good-will, were told that there would be nothing to apologize about. There wasn't. The steel for the new story, which is to house the Cleveland Stock Exchange, is being put together by electric arc welding. In the place of the ear-smashing riveter sits the hooded welder, as silent as in the picture on page 6 of this issue of THE BUSINESS WEEK.

▼

MENTION of "banker's hours" to a customer's man in a Pacific Coast brokerage house is apt to inspire nothing but a wry smile. Because of the difference in time between New York and the Coast, houses holding a membership on the New York Stock Exchange have their wires open at six o'clock in the morning. That's bad enough, but the annual worst is yet to come. When New York goes on daylight-saving time, the hour will automatically move forward to five o'clock.

During the financial unpleasantness last fall, men broke under the strain of working late and starting again before dawn. Some of the houses had to operate two shifts; men worked a day and then took a day off. All the groans did not arise from Wall Street!

▼

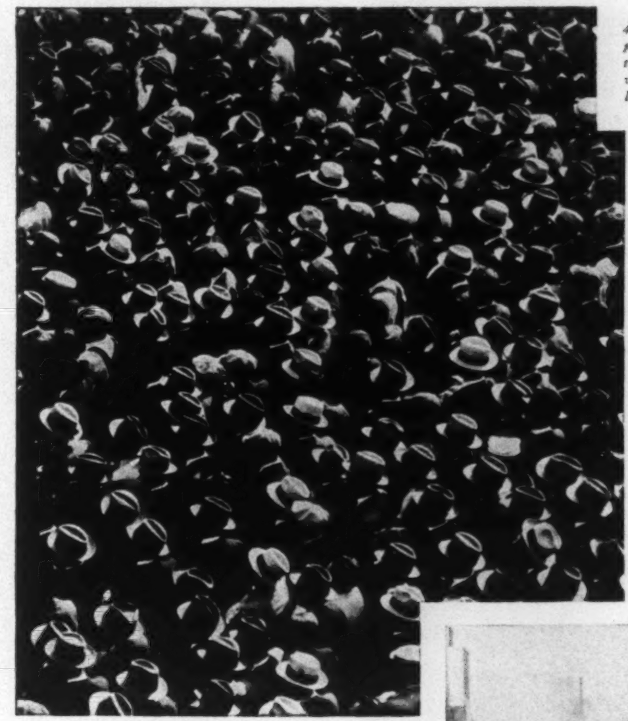
BACK in 1913 a suit of clothes cost $25; a rubber tire, good for 2,500 miles, cost the same. Today a suit costs $50, a tire that will travel six times as far, $10. Thus, for the price of a suit of clothes, one bought 2,500 miles of tire travel in 1913, as compared with 75,000 miles today—a 30-fold increase. Dr. Willis A. Gibbons, research chief of United States Rubber Company, figured this one out. The conclusion: Research has done more for those who ride on tires than for those who wear clothes.

▼

SHAKESPEARE to the contrary notwithstanding, it's just plain human to assume that more than a little *is* in a name. Some of our largest and best known business establishments carry the simplest titles—Singer, Anaconda, Pennsylvania; with perhaps the corner cobbler entitled "Universal" or "Permanent."

It probably would be dangerous to try to restrict the reach of such healthy heart's desire: it's the mainspring of business. Who can hold anything against those hopeful parents whose child has long lain quietly beneath a certain Vermont headstone, reading: "Methuselah Hopkins, aged one year"?

Power is cheaper in New York State



49% of the country's population is concentrated in and conveniently around New York State.

Raw materials are either within the state or easily accessible by water or rail.

If I were a manufacturer . . .

here's why I'd locate my plant in New York State

FIRST, because New York State is the natural center of a concentrated market area that contains 49% of the nation's population and 55% of its wealth.

SECOND, because the rate for power in Niagara Hudson's territory is materially lower than the national average.

THIRD, because New York State offers such perfect transportation facilities—over 8,400 miles of main line track . . . 900 miles of canalized rivers and lakes . . . 700 miles of commercial airways . . . straight, economical transportation to any point in the world.

FOURTH, because New York's growing pains are a thing of the past. Millions of intelligent high-grade contented workers are available . . . employees who work well, live well and spend well.

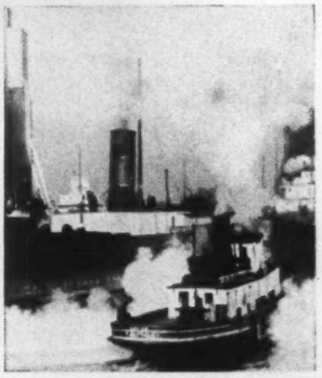
FIFTH, because important raw materials such as coal, iron, wood, nickel, food-stuffs, are either right at hand or can be obtained cheaply.

SIXTH, because New York has unlimited capital available for home industry. This state pays more than one-fourth of all the income and miscellaneous taxes collected by the federal government.

SEVENTH, because the climate is ideal for industry. Employees work at maximum year-round efficiency where the temperature averages about 50 degrees, as in New York State.

If you would like detailed information without a personal follow-up, write for new booklet, "New York, the Industrial State." Address Niagara Hudson Power Corporation, Albany, N. Y.

This book interestingly describes the specific industrial advantages of the territory served by Niagara Hudson, which includes among many others the localities listed below:



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HOMER
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HUDSON FALLS
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JAMESTOWN
JOHNSTOWN
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MALONE
MASSENA
MEDINA
MOHAWK
NEW YORK MILLS
NIAGARA FALLS
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WHITEHALL
WHITESBORO
WILLIAMSVILLE
CORTLAND
LACKAWANNA
SARATOGA SPRINGS

NIAGARA · · · HUDSON
POWER CORPORATION

FOR WEEK ENDING MARCH 8, 1930

EDITORIAL

THE BUSINESS WEEK
A McGRAW-HILL PUBLICATION

In Praise of Speculation

BY AND LARGE, no one is taking a chance just now. That's why business is slow.

The moralists and the politicians have had their way. They have for the moment slain speculation. Stock prices back and fill. Commodity prices just back. Business lags.

There is a direct relationship between the death of speculation and the sickness of business.

Wheat and cotton prices would be higher today if the speculators, who usually carry the crop, had put their usual billions in it this year. Prices would not have dropped so giddily had there been the usual wicked bears in the pit, covering their winning bets.

But we have slain the speculator in commodities. Congress has bedeviled and frightened him. The Farm Board is in the market. And while many a wheat trader and cotton trader has the nerve of John W. Gates, he just won't buck the Treasury and Senate.

In Wall Street the Federal Reserve Bank has slain the dragon speculation. It proposes to keep him dead, so the Board hesitates to cut its discount rate further, delays pumping money into the market by purchase of bills and securities.

Well, if we may be so bold, a little bull market in stocks right now would be endurable. General business would perk up again under its influence. The stock market used to be the barometer of business. It is more than that now; it is an essential tool of business. Business is financed largely by the stock market today.

Beyond all this: speculation is a creative force in American business. This country was discovered, explored, conquered, developed, by men who took a chance. We are a venturesome people. We make prodigious bets—that a streak of rails from coast to coast will pay. It did. That people will buy a new toy, the radio. They did. That Florida lots and Iowa farms will go up forever. They didn't. And so on.

Was Mr. Couzens investing or speculating when he put a little money into Henry Ford's dream? Was A. T. & T. investing cautiously when it bought Lee De Forest's funny little three-element vacuum tube?

"But," says the moralist, "these things are constructive; these are not the same thing as betting that wheat will go up a cent a bushel, or steel stock a dollar a share."

We are not so sure about the distinction, but let that pass. The point we want to make is that you cannot have the one without the other. We want the kind of man who will make business bets. We must have him. Well, then, we must let him bet.

An orgy of gambling like the one that ended in October, does immeasurable harm. Excess is always evil. We know all the arguments against wild bull markets on the scale that sucks in the scrubwoman and the bank clerk. We have pointed them out, and forcefully, we think. We exhorted the business man to take his eyes off the ticker and focus them on his job. We subtract no word from all that sound advice.

But an orgy of conservatism, is, perhaps, worse. Controlled, and it *can* be controlled, in its place, and it *has* a place, speculation in stocks, in wheat, in cotton, in what you please, is important to the health of business.

It would be well to let down the bars a bit, and quickly.

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